



Daily Report

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General

'Secret' COCOM Meeting Studies Exports to PRC
*OW0407200188 Beijing XINHUA Domestic Service
in Chinese 1555 GMT 4 Jul 88*

[By reporter Wu Baozhang]

[Text] Paris, 4 Jul (XINHUA)—The Paris Overall Planning Commission has been holding a secret meeting in the French capital since this morning to study issues concerning the easing of technology exports to China.

The commission, whose full name is the Commission for the Coordination of Multilateral Supervision over Exports to Communist Countries [COCOM], was founded in 1950. Its members include all NATO countries—with the exception of Ireland—and Japan. Its headquarters is in Paris.

This reporter has learned from diplomatic sources that the meeting may produce a special list of technologies that may be exported to China. In a proposal put forward in early June, Japan requested that restrictions be eased for exporting certain sophisticated equipment to China, especially telecommunications technology and equipment. According to the proposal, products that will obtain export conveniences for China will include digitally controlled equipment, machine tools, telecommunications equipment, electronic surveying equipment, electronic computers, civil aircraft, and helicopters.

Industrial circles in Western Europe generally believe that importance should be given to opening to China, which is no longer the China of the 1950's.

The meeting is scheduled to conclude on 7 or 8 July.

Commentator Views Asia's Population Problem
*H0207074788 Beijing RENMIN RIBAO in Chinese
1 Jul 88 p 7*

[Commentator's article: "An Alarm Bell for Asia"]

[Text] Population is a major issue in the world, impeding economic growth, political stability, and scientific and technological advances in many developing countries as well as affecting world peace, stability, and development. The reason for the problem is that in some countries, where economic development and scientific and technological level are low, people cannot provide capital, technology, and equipment for expanded reproduction and have to resort to the method of increased population, namely, increased labor force, to earn a living and carry out simple reproduction. However, the products obtained through population growth are barely enough to meet the consumption needs of increased population. For this reason, it is difficult for these countries to accumulate enough to develop the economy and raise the scientific and technological level. Such a vicious circle, plus a deterioration in the international trade conditions

and the financial and credit situation, has made it difficult for many developing countries to get rid of poverty and backwardness for a long time. It has even led to domestic political turmoil and foreign aggression in some countries. Therefore, the population problem is both an economic issue and a political one; it is a matter of concern to developing countries and one which should be solved by all countries in the world. All people who are concerned with the prosperity and happiness of their countries and other countries should have the population problem at heart.

Asia's population problem occupies an especially important position because Asia is the most densely inhabited area in the world and consists of countries with large populations like China and India. Whether Asia can keep its population growth within a rational scope has a strong bearing on the growth of the world's population. Besides, in recent years quite a few Asian countries have been or will soon be in the economic take-off stage. A key to whether they can smoothly embark on the path of economic development and scientific and technological advances lies in whether they can handle correctly the population problem rather than be pinned down by it. Therefore, the fact that Asia's population has reached 3 billion has sounded the alarm for all Asian countries. Whether it is possible to keep Asia's population growth under control poses a serious challenge to the peoples of all countries in Asia.

Since the late 1970's, disregarding the rumors and slanders of some people with ulterior motives in the world, China has resolutely carried out its planned parenthood policy. It has scored great successes in initially controlling the population growth. However, because China has vast territory and has a huge population base, its indispensable task is still to continuously educate all the people to understand the importance of carrying out family planning and keeping the population growth under control. The "Asia's 3 billion population day" activities have provided us with a very good opportunity, enabling the people of our country to broaden their fields of vision and to understand the necessity of making a success of planned parenthood not only from the angle of one household, one locality, and one country but also from Asia and the world, thus implementing our country's population policy more conscientiously. If a country with the largest population in the world succeeds in solving the population problem, it will make an incalculable contribution not only to the future generations of China but also to all mankind.

UN Official Praises PRC Population Policy
*OW0207081088 Beijing XINHUA in English
1358 GMT 1 Jul 88*

[Text] Beijing, July 1 (XINHUA)—China's one-child policy has been subject to criticism but the results of the policy have been beneficial not only to China but to Asia and the world, a UN official said today.

Prod Laquian, [name as received] deputy representative of United Nations Fund for Population Activities, said that without China's strict population policy, the world's population would have hit 5 billion 2 years ago instead of 1.

"Asia has much to thank China for the fact that, despite its many problems, the country has devoted a lot of resources to controlling its population growth," he said at a conference for "the day of 3 billion for Asia" here.

Laquian said Asia's population growth rate decreased greatly since the 1950s, largely because 200 million less people were born in China in the past decade.

He pointed out that there is a need to balance population and reproduction to achieve economic and social development. Some time, as in China, there may be a need to limit the population growth to achieve the balance.

He said the high priority attached by China to the one-child policy might give an impression the country is concerned only with birth control. But the Seventh 5-Year-Plan and other development plans link population with socio-economic variables.

"It is not concerned with with limiting population growth alone, but with linking population with development," he said. "It includes policies and programs for migration, urbanization, and the distribution of the population in space."

He noted China is a developing country yet its life expectancy, around 70 years, infant mortality rate, around 32 per thousand, and the extremely low maternal mortality rate are almost those found in technologically advanced countries.

"To a great extent, these accomplishments are due to the low population growth rate in China," he said.

Yao Yilin Hails IMF Cooperation, Aid
OW0207044888 Beijing XINHUA in English
1444 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Chinese Vice-Premier Yao Yilin today thanked the assistance offered by the International Monetary Fund at a meeting with P.R. Narvekar, director of the Asian Department of the IMF.

Yao also highly of the cooperation between China and the IMF. He briefed the guest on Chinese economic reform.

Narvekar said he is pleased with the close ties between his organization and China.

United States & Canada

U.S. Independence Day Marked in Beijing
OW0407134388 Beijing XINHUA in English
1202 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—U.S. Ambassador to China Winston Lord gave a reception at the embassy here today to mark the American Independence Day.

Among those present at the reception were high-ranking Chinese officials, including Minister of Justice Cai Cheng, and diplomatic envoys of various countries to China.

RENMIN RIBAO on Washington 'Scandals'
HK0207090788 Beijing RENMIN RIBAO in Chinese
29 Jun 88 p 6

[Article by Zhang Liang (1728 0081): "Why Are There so Many Scandals?"]

[Text] This year's midsummer weather has been rather abnormal in the United States, marked notably by intense heat waves. Coincidentally, the political temperature in Washington has also been on the rise, with one turmoil after another hitting the news. Two scandals broke out successively not long ago: One is a massive graft and corruption case involving Pentagon officials; the other is a decision of the House of Representatives' Ethics Committee to investigate Speaker Wright (Democrat) for usurping power to advance personal gains. In addition, the controversial Attorney General Meese has also come under attack and is presently being investigated.

Scandals in the U.S. political circle are nothing new. In the eighties alone, the following major cases broke out: then Presidential National Security Adviser Allen in 1981 received a "fee" of \$1000 for arranging an interview of Nancy Reagan by reporters of a Japanese magazine "WOMEN'S FRIEND" and was later obliged to "take a leave of absence;" Donovan, former Labor Secretary under the Reagan administration, was charged with accepting \$8 million in bribe money in connection with a \$100 million underground subway project and was forced to resign. Last year, following disclosure of the "Irangate" affair where the United States and Iran conducted secret arms deal with part of the profits diverted to finance the Nicaraguan contras, a number of principals implicated in the case were either dismissed or resigned. And the repercussions from the case are far from over.

While such scandals are no longer shocking, the latest affair is rather extraordinary and offers much food for thought.

According to the latest findings, the Pentagon fraud and bribery case concerns 75 to 100 military contracts, each worth several billion dollars. More than 50 civilian defense consultants, 20 Pentagon officials and 15 of the

largest defense contractors are presently under investigation, while some 312 subpoenas and search warrants have been issued. At the same time, thousands of pages of files and documents were scrutinized in the course of ongoing investigations. The scope of involvement, complexity of the case, and staggering number of frauds were unprecedented in the 40 years since the Pentagon was established and caused much disgust among countless Americans! The affair was the subject of endless discussions on Capitol Hill. Some legislators charged that the investigations of bribery and fraud in arms purchases by the Pentagon proved that the Reagan government was concerned solely with obtaining astronomical defense budgets but did not care about wisely spending the money. Aspin, chairman of the House Armed Services Committee, reflected philosophically: "I truly believe that to a certain extent, it is amazing that such an incident did not take place earlier...there is always so much money flowing around." What is worth pondering is that investigations on this case have been going on secretly for 2 years now, and even President Reagan, the defense secretary and the attorney general were all unaware of it.

What embarrasses Reagan most is that his close friend, Attorney General Meese, is himself going through a tough time. Because of his important role in Reagan's election campaign to get into the White House, Meese has always enjoyed Reagan's appreciation and protection. He was first appointed presidential adviser before being named Attorney General, a position he has held since then. As this year's presidential election campaign entered its last stage, the Democratic Party mounted its attack against Meese, accusing him of involvement in a number of illegal activities, the most serious of which is his role in the "Iraq-Jordan oil pipeline affair." Reports claimed that in order to prevent an Israeli attack of a \$1-billion oil pipeline presently under construction, Meese took part in an attempt to bribe top Israeli officials. In addition, he is also suspected of having a hand in the "Irangate affair" and others. No conclusive investigations have yet been made on the various accusations against Meese. But opinion polls today show that many Americans want Meese to resign. A number of U.S. newspapers, in their editorials, have also openly called for Meese's resignation. The BOSTON GLOBE pointedly stated that Meese's improper conduct showed himself to be "a civil servant unworthy of employment nor of confidence as far as the American taxpayer is concerned."

While the Republicans are deeply mired in these scandals, the Democrats too are facing similar problems. In early June, Republican Representative Gingrich claimed that House Speaker Wright has used his office to further personal interests. Reports showed that for a book of speeches made through the years and compiled by aides in 1984, Wright was paid more than \$55,000 in royalties by a publishing firm (the owner is a friend of Wright). Later, through this connection with Wright, the firm won a contract to print campaign posters, voter's registration booklet

and other election paraphernalia, enabling it to reap a profit totalling \$250,000. There is widespread belief of illegal dealings in the affair. Subsequently, other charges pointed out that Wright used his influence to intervene in two oil and natural gas investment projects, as well as put pressure on the Federal Home Loan Bank Board to soften regulatory proceedings against some savings and loans associations. Consequently, the House Ethics Committee announced on 10 June that it would carry out investigations on the above-mentioned accusations.

The spate of scandals in Washington has caused voters to become disillusioned with politicians. Back in 1978, Congress passed a resolution on "ethics in government" which outlines in detail the code of ethics for government officials. However, in the ten years since the code was put into force, bribery and corruption cases did not come to an end, but, instead, took on new forms and strategies. It appears to baffle some American people. Actually, how can a few regulations be expected to curb the greed of corrupt officials. After all, where God has his church, the devil will have his chapel. The American taxpayers will just have to watch these scandals take place before their eyes one after another.

XINHUA News Analysis on 'Dollar Deal'
OW0307103088 Beijing XINHUA in English
0127 GMT 3 Jul 88

["News Analysis: Increasing Speculation About A Dollar Deal (by Zhao Zijian)"]—XINHUA headline]

[Text] Washington, July 2 (XINHUA)—As the exchange rate of the U.S. dollar increases, so does speculation that there may have been a deal to allow the strengthening of the dollar within a certain range.

Earlier this week, five European central banks intervened moderately—and concertedly—in currency markets to sell the dollar to keep it from rising.

However, this intervention seemed to lack cooperation by Japan and especially by the U.S. Federal Reserve, and the dollar defied it. Ultimately it was described by brokers only as a measure to "moderate the rate of rise."

Throughout the week, the dollar kept strengthening. In Tokyo yesterday, it closed at 134.5 yen compared with just below 130 yen in New York last Tuesday morning.

In London, the dollar rose against the Deutsche mark, fetching one dollar to 1.821 marks by midmorning yesterday and closed at 1.822 marks, up from 1.8145 marks Thursday. The dollar ended at 1.8225 Marks in Frankfurt as against 1.8211 marks in the previous day.

The central banks of the major currency nations influence exchange rates by buying and selling currencies and by adjusting interest rates and money supplies.

It is noteworthy that yesterday's closing of the dollar in Japan was the highest since November 26 last year, and since this level was achieved without meaningful Japanese intervention, there is conjecture that Japan may be allowing the dollar to rise to 138 yen before triggering serious intervention.

It is also interesting to note that U.S. Treasury Secretary James Baker warned U.S. Cabinet officials last week that, because of the tense situation created by a rising dollar, any comments on currency movements are to come only from him and President Reagan.

The series of events have made some brokers suspect an international deal to "tune up" the dollar, and the economic declaration of the recent Toronto summit appears to offer some confirmation.

In this declaration, the leaders of the U.S., Japan, Federal Germany, France, Britain, Italy and Canada said that "either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilizing to the adjustment process, could be counterproductive by damaging growth prospects in the world economy."

In trades last week, after the summit's conclusion, rises in the dollar were tested nervously on the markets and seemed to have confirmed a G-7 shift of policy.

Market watchers say that a limited rise of the dollar may help the U.S. in the short-run by holding down inflation and reducing the trade deficit by cutting import costs.

In addition, the higher dollar will attract further foreign investment in the U.S., and may reduce the need to raise interest rates.

Furthermore, because U.S. exports, especially those of agricultural products and manufactured goods, are viewed as nearing their capacities, a further fall of the dollar might not significantly help them.

In addition, according to American political observers, the Reagan administration may believe that a moderate rise of the dollar will serve the cause of the Republican candidate, George Bush, in the coming presidential election.

Other observers, however, are concerned about the long-term risk to American exports which are just beginning to increase.

And ultimately, with the U.S. foreign debt approaching 400 billion dollars, any further widening of the country's trade deficit will be counterproductive to efforts by the major industrial countries to stabilize the international financial market.

Soviet Union

Li Peng on Sino-Soviet Relations

OW0307143588 Beijing XINHUA in English
GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—Chinese Premier Li Peng said here today that China hopes the Soviet Union will create necessary conditions for the Sino-Soviet summit.

Li made this remark when asked on questions concerning the Sino-Soviet summit and bilateral relations at an interview with reporters from six Japanese press organizations.

Li said that recent years have witnessed marked improvements in the Sino-Soviet relations in economy, trade, technology, culture and education, however, no big progress has been made in bilateral political relations.

He noted that the Kampuchean issue is still the main factor affecting the normalization of relations between the two countries at present.

"It is impossible for the Vietnamese troops to continue their invasion to Kampuchea without the economic support from the Soviet Union, so the Soviet Union can do something in urging Vietnam to withdraw all its troops from Kampuchea at an earlier date."

He pointed out that China hopes that the Soviet Union should really make some efforts, as to create necessary conditions for the Sino-Soviet summit, adding that it is Chinese leader Deng Xiaoping who first suggested the summit meeting between China and the Soviet Union and up to now China has not changed its principles on the summit.

Li stressed that China has always maintained and hoped that the Sino-Soviet relations will be normalized.

He said that China and Soviet Union have now held talks at the level of vice-foreign minister and both sides can exchange views on all issues at this level. On the talks at the ministerial level, Li Peng said it depends on the result of the talks between the vice-foreign ministers.

In reply to questions, Li said, "We think that the general direction of reform advanced by Gorbachev in the Soviet Union is good and we hope they will be able to overcome difficulties and enable the reforms to succeed."

He said that China has followed closely with the 19th national congress [as received] of the Soviet Communist Party, which is an important meeting in the course of the reform in the Soviet Union.

"From press we can see that the atmosphere of the congress is very active," he added.

RENMIN RIBAO Views CPSU Conference
HK0307082088 Beijing RENMIN RIBAO in Chinese
3 Jul 88 p 6

["Newsletter From the Soviet Union" by correspondent Fang Rongxuan (2455 2837 5503): "A Sign That the Reforms Have Entered a Turning Point—Impressions of the 19th CPSU National Conference"]

[Text] Moscow, 1 Jul—The 4-day 19th National CPSU Conference has concluded. Over these 4 days, Moscow baked in the summer heat with temperatures in the 30's, which rarely occurs here. Inside and outside the Kremlin conference site, and indeed on streets and squares throughout Moscow, the atmosphere of concern for and discussion on the reforms has also been unprecedentedly heated. CPSU leaders have told journalists from various countries that this conference can be compared in importance with the 20th and 27th CPSU congresses, both of which signified turning points in history. It is not hard to understand why the whole country should pay such attention to this conference.

The basic tasks of this conference were to sum up the experiences and lessons of the past 3 years of reforms, formulate measures for deepening the reforms, and ensure that the reforms are made irreversible. Gorbachev pointed out at the very start of his report that although the reforms have made progress in the past 3 years, the state has not yet been reached where "the reforms are irreversible," because the deep-lying causes of obstacles have not yet been eliminated. Radical methods are required to resolve this. The delegates held heated discussions on how to evaluate Soviet economic development over the past 3 years of reforms, giving a variety of views. The economist Abalkin held that the Soviet economy has made no progress over the past few years. However, the majority of delegates opposed this pessimistic view. Although they were not satisfied or were not critical of the present economic situation, they all held that the reforms have already yielded notable results. Judging by the debates at the conference and the final resolution, affirming the achievements of the past 3 years of reforms and demanding the continued progress of the reforms has become the main thrust in Soviet political life today.

Reform of the political structure was the core of Gorbachev's report and was also the conspicuous topic of many of the delegates' speeches. Gorbachev said that political structural reform is the guarantee that the reforms as a whole will be irreversible. He summed up the course of events since the victory of the October Revolution, pointing out that the political structure established after that victory became deformed and was damaged, which resulted in the evil consequence of dictatorship by the individual. Although the 20th CPSU congress raised this question, it has still not been resolved because the problem of the political system has not yet been resolved. He said that the reason economic reforms failed in the past was that political structural reform was not carried

out. It is, therefore, necessary to assign political structural reform the primary place on the agenda. Judging from the political structural reform schemes proposed at this conference, the main objective is to restore the power of the soviets and attract the whole people to take part in political, economic, and other activities by drawing clear demarcation lines between party and government functions and jurisdiction. At the same time, systems of election and terms of office for party and state leaders are to be laid down, the legal system is to be perfected, and the principle of glasnost [gong kai xing 0361 7030 1840] is to be implemented, so as to establish socialist democracy and law. It is evident that tangibly implementing these principles will be a rather complex and tortuous process.

Giving extensive scope to democracy was a major characteristic of this conference. More than 2 months ago the "Outline of the CPSU Central Committee on the 19th national conference" was promulgated, and the whole country held heated discussions on it. PRAVDA alone received over 75,000 letters from readers, and people inside and outside the party put forward many views and suggestions regarding the Outline. Although the conference did not invite foreign delegations or figures, what stood out conspicuously was that, in contrast to the past, non-party figures were specially invited to take part. The delegates held that the atmosphere at the conference was extremely lively, with everyone vying to speak and confrontations between different points of view, something that had hardly ever been seen at CPSU congresses over several decades. The speakers did not just read from drafts or just raise their hands to express support. Instead, they put forward all kinds of suggestions and criticisms, and the speeches of some of them were sharp and peppery, mincing no words on problems of universal concern. Sometimes when delegates were speaking at the rostrum, others below the rostrum would interrupt and engage in arguments right there. Gorbachev's proposal that the first secretary of the CPSU Central Committee should concurrently serve as state president was supported by some delegates and bluntly opposed by others. Some delegates accused bureaucrats of obstructing the reforms. Some people called for the expulsion from the party of those opposed to reform, and some worker delegates demanded that the central ministries and commissions be prohibited from issuing orders to enterprises. When one delegate questioned the promotion of democratization by the press and publications, Gorbachev interrupted and engaged in an argument with him. The conference presidium gave immediate answers to the suggestions and questions raised by the delegates. When some delegates stressed in their speeches that there should be more resolutions, the presidium accepted this view.

People paid close attention to the progress of this conference. Outside the hall, people lined up at newspaper kiosks in the early morning to buy papers, while in the news center several hundred foreign journalists were working busily all day long to report the relevant news to all parts of the world.

The 19th national CPSU conference passed several resolutions, including "Oppose Bureaucratism" and "On Glasnost." Many delegates asked this question: "You have made criticisms, but what have you done for the reforms?" This conference is an important sign that reforms in the Soviet Union will enter a revolutionary turning point. People hope that the resolutions of the conference will effectively spur the progress of reforms in the economic, political, and other fields in the Soviet Union.

CPSU Conference Seen To Boost Perestroika
OW0307111388 Beijing XINHUA in English
0721 GMT 3 Jul 88

[*"News Analysis: Perestroika Takes a New Step"—XINHUA headline*]

[Text] Moscow, July 2 (XINHUA)—The Soviet Communist party conference, which ended Friday, can be expected to advance Mikhail Gorbachev's perestroika (restructuring) another giant step and to guide further changes in the country's political structure.

The four-day 19th all-union conference, the first in 47 years, summarized the accomplishments of reforms in the past three years and dealt a blow to the old political structure. It helped deepen the process and insure that the reforms are irreversible.

The party gathering, which will exert far-reaching influence in the Soviet Union, was very impressive in three aspects.

The first is that there has never been a Soviet Communist party meeting that has allowed such a free airing of views and heated debates as the current conference. Most of the 5,000 delegates ventured to criticize shortcomings and mistakes in the party's work, and sharp contradictions and sensitive questions were not evaded. As Gorbachev put it, this has not been experienced since Vladimir Lenin's death more than 60 years ago.

Another was that the issue of political restructuring has been put before the whole party and people. The old political structure has now been seen to stand in the way of economic reforms, and that is why a program for political restructuring was worked out and adopted at the conference.

The third is that inner-party differences have been exposed to the Soviet people. The face-to-face debate between former Moscow party chief Boris Yeltsin and the Kremlin's number two man, Yegor Ligachev, climaxed an on-going struggle over the speed and methods of reforms, the role of leadership and a number of other major issues.

The fierce Yeltsin-Ligachev debate pushed to a new intensity long-existing disagreements among Soviet leaders over perestroika issues, and showed the complex and arduous nature of Gorbachev's perestroika drive.

Ultimately, the conference adopted six resolutions to guide the restructuring. These are expected to implement decisions made by the 27th Soviet Communist Party National Congress, on democratization of the Soviet society, on political restructuring, and on glasnost (greater openness).

The Communist Party Central Committee and the Supreme Soviet (parliament) were urged to implement as soon as possible Gorbachev's proposal for "some urgent measures concerning the implementation in practice of the reform of the country's political system."

Although the conference approved Gorbachev's suggestion that the party act as a "political pioneer" and take the lead in political restructuring, many delegates expressed strong disapproval to allowing the establishment of any "opposition party" in the Soviet Union.

On the question of terms of office for party leaders, the conference decided that these would be limited to five years and that leaders would be elected to two consecutive terms at most, thus abolishing the system of "tenure for life."

Separating the functions of the party from those of the government and reinforcing the role of the supreme soviets (parliaments) also provided a focus for debates dealing with reforms.

Other debates encompassed the following issues:

—Assessing the effects of reforms over the past three years.

Some delegates charged that reforms are going on at a snail's pace, without any effect on the Soviet Union's decade-long stagnation; others argued that changes in the spheres of politics and ideology can not be neglected, and that only with these changes could economic reforms be pushed forward.

—Assessing glasnost and reassessing historic events (particularly those that occurred under the leadership of Iosif Stalin).

It was argued by some that glasnost had resulted in excessive criticism and wrong assessments of past events, and that criticism of Stalin could lead to the negation of Soviet history and of the feats of Soviet people. Others defended glasnost, and said that without it there would exist no democracy, reforms and socialism. Ultimately there appeared to be a consensus that if history is not correctly reassessed, old systems would not be destroyed and there would be no guidance for future reforms.

—Establishing pluralism, which is considered to be necessary for the party's reforms and also a way to push forward democratization and openness.

Some delegates fully agreed that first secretaries of local party committees should concurrently act as presidents of the parliaments. They say that this would facilitate problem solving. Others argued that such an overlapping of responsibility is contrary to the principle of separating party leadership from government administration.

—Determining the role of the Soviet press.

Several delegates complained that the press had fallen into the hands of those they called "extremists," who were said to be shaking the foundation of socialism by "neglecting all and doubting all." Others, however, said the press had been playing an important role in pushing reforms forward and that its function and status should be strengthened even further.

—Defining the bureaucracy.

Many delegates accused the country's 18 million administrators of being a "conservative force" hampering reforms; others said the bureaucracy could not be viewed equally with party or government leaders, and added that most officials served socialism arduously.

With the ending of the four-day conference, the implementation of its resolutions still remains to be accomplished. When they are, the conference will be shown to have struck a hard blow at antiquated conventions and systems.

Correction to Hao Jianxiu Meets Soviet Delegation

The following correction pertains to the item headlined "Hao Jianxiu Meets Soviet Delegation," published in the 1 July China DAILY REPORT, page 2, column one, first paragraph, lines four, five: ...led by committee's vice chairman A. Yefimov.

Arriving in Beijing...(correcting name)

Northeast Asia

Li Peng Interviewed by Japanese Reporters
Hk0307013488 Beijing ZHONGGUO XINWEN SHE
in Chinese 1021 GMT 2 Jul 88

[Report: "Li Peng Grants Exclusive Interview to Japanese Reporters"]

[Text] Beijing, 2 Jul (ZHONGGUO XINWEN SHE)—Chinese Premier Li Peng this afternoon granted a 1-hour and 40-minute exclusive interview to six Japanese news organizations. In the interview, he gave detailed answers to the questions raised by the reporters on Sino-Japanese relations, China's political and economic structural reforms, and some important international issues.

This is the first official exclusive interview granted to foreign reporters by Li Peng since he became premier.

The six news organizations are the KYODO NEWS SERVICE, MAINICHI SHIMBUN, CHUNICHI SHIMBUN, HOKKAIDO SHIMBUN, YOMIURI SHIMBUN, and the Japanese Broadcasting Corporation.

Li Peng's answers will soon be released.

On Sino-Japanese Relations

OW0407140588 Beijing XINHUA Domestic Service
in Chinese 1256 GMT 3 Jul 88

[By Reporters Zhu Yunlong and Zhang Rongdian]

[Text] Beijing, 3 Jul (XINHUA)—In an interview with leading members of Japan's six press agencies in the Great Hall of the People yesterday afternoon, Premier Li Peng said: The current Chinese Government and he himself will work for Sino-Japanese friendship as other Chinese leaders have done.

When asked about Sino-Japanese relations, Li Peng said: China and Japan are close neighbors separated only by a strip of water. Friendship between the two countries goes back to ancient times. But the war of aggression against China launched by the Japanese militarists in the 1930's and 1940's inflicted grave suffering and damage to the Chinese people. This history is unbearable to recall.

The Japanese people, too, were the victims of that war. However, we are pleased to point out that thanks to the common effort by people from governmental and nongovernment circles in China and Japan, leaders of the two countries decided 16 years ago to resume diplomatic relations between the two countries, and a Sino-Japanese peace and friendship treaty was signed 10 years ago.

China has taken note of the statements and talks by His Excellency Noboru Takeshita since he assumed the premiership, which show the willingness to continue Sino-Japanese friendship. China welcomes this. Prime Minister Noboru Takeshita will visit China later this year on the 10th anniversary of the signing of the Sino-Japanese peace and friendship treaty. We regard the timing and visit as of great significance, a manifestation of the willingness to further Sino-Japanese friendship. The Chinese leaders, including Li Peng himself, look forward to Prime Minister Takeshita's visit.

Li Peng said: Sino-Japanese friendship is an important component of the Chinese Government's independent foreign policy of peace. Friendship between China and Japan, two major countries in Asia, will be conducive to stability and peace in the region and can exert great influence on world peace. If leaders of the two countries consider problems in bilateral relations in the light of their overall interests, even unpleasant incidents, differences and difficulties can be gradually resolved.

He said: China and Japan have cooperated closely in economics, trade, technology, and other fields, and there is possibility for expansion of such cooperation, which is on an equal basis and mutually beneficial. Japan is one of China's major trading partners. The two countries have their own economic advantages. Japan has a developed economy, advanced technology, and strong capital strength. China, a developing country, has rich resources. It has accelerated its economic development in the course of reform and opening. With its one billion population, China has a big potential market after the country is developed. China expects Japan to contribute more in helping its modernization program. We hope Japan will assume a more enthusiastic attitude in offering preferential loans, assisting infrastructural construction, and making direct investment, and will take bigger steps in technology transfer.

He said: "I have accepted the Japanese Government's invitation to visit Japan at an appropriate time. The specific date and relevant matters will be decided through diplomatic channels."

No Diplomatic Ties With S. Korea

OW0307211188 Beijing XINHUA Domestic Service in Chinese
1404 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—China has no diplomatic relations with South Korea, nor does it have any intention to establish such relations with South Korea, Chinese Premier Li Peng said in Beijing.

As treating other countries and regions with which China has no diplomatic relations, China has trade ties with South Korea. But such ties are non-governmental, he said.

Li made these remarks while giving an interview to leading members of Japan's six press organizations here July 2.

Li Peng said: China and the DPRK are close neighbors sharing very friendly relations [you zhuo fei chang you hao di guan xi 2589 4192 7236 1603 0645 1170 4104 7070 4762]. China has decided to send a high-ranking party and government delegation to the DPRK to attend its founding anniversary celebrations. He added: "As to which Chinese leader will head the delegation, we will, in conformity of our norm, make an announcement some time before the departure. This being the case, I cannot confirm whether I will head the delegation. However, since it will be a high-ranking delegation, the rank of the leader who will head the delegation should be quite high."

Li also said China has decided to participate in the Olympic Games in Seoul. This is because China is a member of the International Olympic Committee and because China's sportsmen hope to exchange skills and enhance friendship with sports people of other countries during the games.

On the question of the Korean Peninsula, China always takes into account how to contribute to the relaxation of tension and stability on the peninsula, Li said.

More on Relations With S. Korea

OW0207120088 Tokyo KYODO in English
1142 GMT 2 Jul 88

[Text] Beijing, July 2 KYODO—Premier Li Peng indicated Saturday China has no intention of upgrading its trade relations with South Korea to full-fledged diplomatic ties.

China's trade with South Korea is completely a non-official affair, in line with its trading posture toward other countries with which it has no diplomatic relations, Li told a Japanese press delegation led by KYODO Managing Editor Asahi Kameyama.

Li met the Japanese visitors for one hour and 40 minutes at the Great Hall of the People in the first such meeting since he came to office last April.

Li said China has no intention of establishing diplomatic relations with South Korea and stressed its close ties with the North.

Li confirmed that China will be sending a high-level government and party delegation to North Korea in September but refused to reveal who will lead the group.

According to informed sources, state President Yang Shangkun will head the delegation which will be traveling to North Korea as China sends a big team to the South for the Seoul Olympics opening on September 17.

North Korea says it will boycott the games.

Li said China has decided to participate in the Seoul Olympics because China is a member of the International Olympic Committee and because athletes in China want to use the event as a chance to improve their skill.

China's basic policy on the Korean peninsula is to maintain security and to seek a relaxation of tension in the region, he added.

Commentary on 'Ghost of Militarism' in Japan

OW0207143288 Beijing Domestic Service
in Mandarin 0930 GMT 2 Jul 88

[Text] Dear listeners, recently the Japanese Education Ministry, while examining and approving this year's primary and senior high school history textbooks, changed the word invasion to advance describing Japan's move into Indochina while disapproving the descriptions of the Nanjing Massacre and Japanese

troops' stationing in the China mainland as expansionist. In this connection, our station reporter writes the following short commentary, entitled "Historical Facts Should Not Be Altered."

The commentary says: Textbook incidents took place in Japan as early as 1982, creating an uproar at home and abroad. At that time, the Japanese Government promised to correct the mistake. However, incidents involving an attempt to whitewash the responsibility of the Japanese militarists' war of aggression have occurred one after another. Not long ago, director of Japan's National Land Agency Okuno was dismissed because of his remarks in this connection. These series of incidents explain that the ghost of militarism indeed looms in Japan.

Japanese textbooks have aroused the concern of other countries because they involve a fundamental question, that is, whether or not to admit to the history of aggression by Japanese militarism. To admit the history and teach the future generations to draw lessons from the past can help avoid repeating the same mistake; but alternation of the history can lead to repeating that history, which cannot be accepted by all countries and people who were victims of Japanese militarism years ago. It is hoped that the Japanese Government will promptly correct the mistake made by its Education Ministry in tampering with the textbooks and set the historical records straight in the vital interests of the Chinese and Japanese people and for peace in Asia and the world as a whole. Such an action is necessary to foster an image of a self-respecting Japan that can face up to and respect history.

Wu Xueqian Meets Japanese Visitors
OW0207153488 Beijing XINHUA in English
0657 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Chinese Vice-Premier Wu Xueqian met Taki Otani, vice chairman of the Sino-Japanese Religion Believers Forum and president of the Japan-China Travel Service, and his party here today.

The visitors arrived here June 28 at the invitation of Zhao Puchu, president of the Buddhist Association of China.

DPRK Vice President Receives Delegation
OW0207121588 Beijing XINHUA in English
1134 GMT 2 Jul 88

[Text] Pyongyang, July 2 (XINHUA)—Vice-President Pak Song-chol of the Democratic People's Republic of Korea received a Chinese newspaper delegation here today.

During talks this morning with the delegation of the PEOPLE'S DAILY, the Chinese party paper, Pak expressed satisfaction at the strengthening and development of Korean-Chinese friendship cemented with blood.

The vice-president also expressed gratitude to the Chinese Government and the Chinese Communist Party for their support for Korea's socialist construction and national reunification.

The Chinese paper delegation arrived here on June 26.

DPRK Party Paper Urges Korean Reunification
OW0507001288 Beijing XINHUA in English
0635 GMT 4 Jul 88

[Text] Pyongyang, July 4 (XINHUA)—The Pyongyang party paper "NODONG SINMUM" in an editorial today called on all patriotic forces in the North and the South to fight for the reunification of the Korean Peninsula.

The editorial marking the 16th anniversary of the July 4 North-South Joint Statement on Reunification said the Democratic People's Republic of Korea (DPRK) has made every effort in the past 16 years for national reunification under the Three Principles of Independence, Peace, and National Unity laid down in the joint statement.

The Korean people are firm in their will to realize reunification, the editorial said. It said the DPRK people will surely reunify their fatherland "together with the South Korean people" in accordance with the principles.

It also condemned U.S. And South Korean authorities for interrupting the process of reunification and demanded that the United States withdraw their troops from South Korea.

Southeast Asia & Pacific

Premier Li Peng on SRV Pullout, Soviet Role
OW0207112688 Tokyo KYODO in English
1114 GMT 2 Jul 88

[Text] Beijing, July 2 KYODO—Premier Li Peng said Saturday that Vietnam should accept international supervision of its troop withdrawal from Kampuchea and provide a timetable for a complete pullout.

Li, speaking in a meeting with a Japanese press delegation, also indicated that a settlement of the Kampuchean conflict would pave the way for a summit meeting between Soviet leader Mikhail Gorbachev and Chinese senior leader Deng Xiaoping.

"It was Military Commission Chairman Deng Xiaoping who first proposed the Sino-Soviet summit meeting," Li said of the possible top-level encounter between the two communist giants.

The meeting at the Great Hall of the People lasted 40 minutes longer than the originally scheduled one hour, with Li putting off a previous engagement to answer wide-ranging questions from the Japanese journalists.

The press delegation, from six news organizations in Japan, was led by KYODO Managing Editor Asahi Kameyama. It was Li's first interview with a foreign press delegation since he came to office last April.

Li said China hopes Moscow will push Vietnam for an early troop pullout from Kampuchea, noting that the Kampuchean conflict constitutes the biggest obstacle to better Sino-Soviet ties.

China is taking a positive and flexible stand in helping bring about a rational settlement to the Kampuchean conflict, he said.

Li cited Soviet acceptance of an internationally supervised troop withdrawal in Afghanistan and said Vietnam should also accept the same formula.

The premier briefed the Japanese journalists on a statement on Kampuchea the Chinese Foreign Ministry issued Friday and said the document reflects a positive and flexible Chinese policy on the issue.

The Foreign Ministry statement said China will support the establishment of a four-party government in Kampuchea even before Vietnam completes its troop withdrawal from Kampuchea.

Vietnam has said it will pull all of its 100,000 troops out of Kampuchea by 1990, with half of them to go before the end of this year.

The Chinese outlined their position on Kampuchea as the four rival Kampuchean parties were gearing up for an informal peace meeting in Indonesia later this month.

The so-called "cocktail party" meeting, scheduled to begin on July 25 in Bogor, about 60 kilometers south of Jakarta, will bring together representatives from the warring parties in Kampuchea, as well as Vietnam, Laos, Thailand and host-nation Indonesia.

China has previously insisted that a four-party government should be formed only after Vietnam completes its troop pullout.

China backs the three-party resistance movement headed by Prince Norodom Sihanouk which has been fighting a nine-year-old war against the Hanoi-installed government of Heng Samrin.

Turning to the situation on the Korean peninsula, Li said China has no plan to establish diplomatic ties with South Korea but would continue to trade with the country, as it does with other partners with which it has no diplomatic relations.

Li, however, avoided confirming whether China is trading directly with South Korea or whether Beijing is considering setting up a trade office in Seoul.

Li stressed China's close ties with North Korea and confirmed that Beijing will be sending a high-level party and government delegation to Pyongyang in September.

The North Korea visit, scheduled to be headed by state President Yang Shangkun, will come as China sends a big team to Seoul for the summer Olympic Games scheduled to open on September 17.

On Sino-Japanese ties, Li welcomed Prime Minister Noboru Takeshita's scheduled visit to China next month and said Beijing hopes Japan will continue to help in China's modernization efforts.

In particular, Li said, Beijing hopes Japan will support China's efforts to improve its economic infrastructure through preferential loans.

China also hopes Japan can expand its direct investment in the country and provide advanced technology, he said.

Welcomes Jakarta Meeting

*OW0307160988 Beijing XINHUA in English
1429 GMT 3 Jul 88*

[Text] Beijing, July 3 (XINHUA)—China welcomes the informal meeting on the Kampuchean question to be held late this month in Jakarta, but it will not attend it because it is not a party involved.

Chinese Premier Li Peng said this while giving an interview to leading members of six Japanese press organizations here July 2.

He called attention to the Chinese Foreign Ministry's July 1 statement, which he said states the stand of the Chinese Government.

The statement not only upholds the persistent position of the Chinese Government on the Kampuchean question, Li Peng said, but also indicated the country's adoption, in the light of the current situation, of still more positive and flexible approaches towards a fair, equitable settlement of the question. China held and still holds that complete withdrawal by Vietnam of its troops from Kampuchea is key to the settlement of the Kampuchean question, Li Peng continued.

China has taken note of Vietnam's announcement of a plan to withdraw 50,000 of its troops from Kampuchea this year. "If this comes true, proper appraisals will certainly be made of Vietnam."

Nevertheless, "Since there will neither be international supervision nor international check up, we will have to wait and see whether the withdrawal of Vietnamese troops is true or false."

"Besides, Vietnam stated that it would withdraw part of its troops—only 50,000 all told—and this is far from being enough. It should pull out all its troops, as quickly as possible."

The premier urged Vietnam to produce a timetable for the withdrawal under international supervision of all its troops in a short time, as did the Soviet Union in handling the Afghan question, "if it is sincere in its mouthed withdrawal of troops and in the settlement of the Kampuchean question."

It should be a feasible plan for a political settlement of the Kampuchean question to establish a provisional quadripartite coalition government headed by Prince Norodom Sihanouk to maintain peace and organize a general election, he said.

The suggestion on the establishment of such a government, said Li Peng, means that none of the four parties in Kampuchea will be excluded, but China also holds that none should hold the power exclusively.

China welcomes the forthcoming Jakarta meeting, he said. If Vietnam is sincere in settling the Kampuchean question, it should hold talks with Sihanouk and with the Coalition Government of Democratic Kampuchea at the meeting.

He reiterated that if the parties concerned succeed in reaching an agreement on a political settlement of the Kampuchean question, China will be ready to join other countries in an international guarantee.

China welcomes the United Nations to play its due role in settling the Kampuchean question.

TA KUNG PAO on Relations With Indonesia
*HK01071*1188 Hong Kong TA KUNG PAO*
in Chinese 30 Jun 88 p 2

["Special Feature" by Lin Hung-tsai (2651 1347 2088):
"What Are the Obstacles to Restoration of Diplomatic Relations Between China and Indonesia?"]

[Text] According to historical records, there is a long history of friendly relations between China and Indonesia. Friendly exchanges between both parties started as early as the reign of Emperor Wu of the Han Dynasty in 111 BC, extending for well over 2,000 years.

In the early 1950's, Indonesia was one the first countries to recognize and establish diplomatic relations with the PRC. This laid a new basis for the future development of friendly relations between both parties. Because of a historical misunderstanding, the friendly relations were unilaterally suspended in 1967 by Indonesia, a suspension that has lasted for 21 years.

Resumption of Diplomatic Relations Is Advantageous to Both Parties [subhead]

China has repeatedly indicated that it is ready to resume diplomatic relations with Indonesia at an early date. The reasons are as follows: 1) In line with the independent foreign policy of peace and the five principles of peaceful coexistence, China has established diplomatic relations with 135 countries in the world. There is no reason whatsoever and it is absolutely unnecessary for China to continue to have suspended diplomatic relations with Indonesia, with which it had very friendly relations in the past. 2) A decade ago China started to take economic development and the liberation of the productive forces as its basic national policy. It is also eager to implement an open policy. Today it needs a peaceful international environment more than at any time in the past. The early resumption of diplomatic relations with Indonesia will first contribute to peace in Southeast Asia and be conducive to both parties to engage in all-round construction in light of their own specific conditions. 3) Resumption of diplomatic relations also will be conducive to direct trade between them and to the elimination of the commission of between 10-15 percent for middlemen in indirect trade. In short, the early resumption of diplomatic relations will only be advantageous to both parties.

The Chinese side also has a very clear understanding of Indonesia's mood. On numerous occasions China has explicitly indicated that China will never interfere in the internal affairs of other countries. Chinese Vice Foreign Minister Liu Shuqing has stressed the Chinese theory of nonintervention directly to new Indonesian Foreign Minister Ali Alatas.

The Chinese side has been striving for the early resumption of diplomatic relations in words and deeds.

In 1985, at the invitation of the Indonesian Government, former Chinese Foreign Minister Wu Xueqian attended the activities marking the 30th anniversary of the Bandung Conference. He held a dialogue with the former Indonesian foreign minister in a cordial atmosphere and signed an agreement on direct trade. During his visit to Indonesia in 1986, Nicolae Ceausescu, general secretary of the Romanian Communist Party, took a message of China's willingness to resume diplomatic relations. In 1987, Jia Shi, chairman of the China Council for Promotion of International Trade, was well received when he led a delegation to Jakarta in support of the Jakarta Expo. In particular, taking advantage of the opportunity to attend the meeting of the UN Economic and Social Commission for Asia and the Pacific held in Jakarta last April, Chinese Vice Foreign Minister Liu Shuqing had two sessions of talks with Indonesian Foreign Minister Alatas. Liu Shuqing personally told Alatas: "Great changes have taken place between China and Indonesia in the past 20-odd years. Let bygones be bygones. We should no longer settle old accounts, but should rather look ahead."

The Obstacles Come From the Military [subhead]

The problem of when talks can be held and when diplomatic relations can be resumed lies with Indonesia rather than with China. China's attitude is very clear-cut. If necessary, the talks can be held tomorrow. If it is unworkable, as Liu Shuqing personally told Alatas, "The Chinese Government also is ready to wait."

One month before Liu Shuqing's trip to Jakarta, in an interview with reporters, Warnandi, administrative chief of the Indonesian Institute for Strategic and International Research, said he was confident all-round diplomatic relations would be resumed between China and Indonesia in the not-too-distant future. Later, as a member of thinktank attending a symposium on "Security in Southeast Asia and the Asia and Pacific Region in the Last Decade of the 20th Century" held in Singapore, Lin Mien-chi, director of the institute, voluntarily contacted Li Guoxing, director of the Asian Research Office of the Shanghai Institute of International Issues, to exchange views on how to promote the resumption of diplomatic relations between China and Indonesia. He was very optimistic about the prospects. During his conversation with Liu Shuqing in Jakarta, Alatas spoke highly of the Chinese Government's efforts to handle relations between one country and another according to the five principles of peaceful coexistence and the spirit of the Bandung Conference. With regard to Liu Shuqing's remark "we should no longer settle old accounts but should rather look ahead," in particular, he held that it would "lay a good foundation for further development in relations between the two countries." At a weekly news briefing held in Jakarta several days after Liu's departure, Alatas said with full optimism: "We shall continue making contact to push forward this process until the normalization of relations is achieved." He indicated that he was full of confidence because Liu Shuqing had pledged to the Indonesian Government that China would not interfere in the internal affairs of other countries.

It is not difficult to observe that to date the understanding of Indonesia's influential top military hierarchy toward China basically remains at the level of the 1960's. They know little or are ignorant about the tremendous changes that have taken place in China since the shift from the Mao Zedong era to the Deng Xiaoping era, especially since the implementation of the policy of reform and opening up in the past 10 years. As a result, it is difficult to remove their outdated misgivings about "China's interference in internal affairs," and it is no wonder that there should be such a tall story about "China and Vietnam endangering ASEAN's security."

More importantly, some top leaders in Indonesian military circles know little or are ignorant about basic diplomatic etiquette.

The day after the opening in Jakarta of the UN Economic and Social Commission for Asia and the Pacific meeting, which was attended by Liu Shuqing, all newspapers in Jakarta carried photos showing President Suharto shaking hands one after another with heads of various delegations. But the photo showing Suharto shaking hands with Liu Shuqing was not published.

There was an even more preposterous thing. The conference hall was hung with the national flags of all the participating countries, more than 40 in all. On the eve of the opening ceremony, to their surprise, the members of the Chinese delegation discovered that China's national flag had suddenly been lowered by someone. Since this was a matter of great importance, the Chinese delegation immediately made representations to the Indonesian Foreign Affairs Ministry, which was also unable to make head or tail of the matter. It happened that the lowering of the flag was ordered by the military authorities. It was after Foreign Minister Alatas informed President Suharto of the matter that this extremely unpleasant event was prevented from escalating further. China's national flag was eventually raised in the original place before the opening ceremony of the meeting.

The Defense and Security Minister Approves of Resumption of Diplomatic Relations [subhead]

However, things do not remain unchanged. Changes are inevitable and the only problem is time.

Less than 2 months after Liu Shuqing left Jakarta, there were changes in the top military hierarchy of Indonesia. Benni Murdani, former commander of the Armed Forces and current minister of defense and security, explicitly indicated that he approved of the early resumption of diplomatic relations. He used a rhetorical question to negate the "old criterion." He said: "We have not had diplomatic relations for 20 years. Do we have to uphold the old criterion of 25 years ago?" Yes, in the face of important, great changes in China and in the face of great changes in the world, with "dialogue" replacing "confrontation," it is time to throw aside all old criteria, views, and prejudices?

The most appropriate and ideal place for holding talks on the resumption of diplomatic relations is either Jakarta or Beijing. Murdani has put it well: "China is a big nation holding the balance in this region. Do we still have to come into contact with it through Singapore or the United States?"

"Viewed from the security angle, Indonesia is in a position to resume diplomatic relations with China at any time," the new defense minister said. "Indonesia should not be afraid of China, and China is incapable of doing anything."

China has always followed an independent foreign policy of peace. It is incapable of carrying out activities "interfering in the internal affairs of other countries" that pose a security problem to other countries. Neither will it do so even if it is capable of doing so. China's promise not to interfere in the internal affairs of other countries

seems to have been accepted by Murdani. However, Murdani is also very clear that it is inadvisable for his "Ministry of Defense and Security" to exceed its functions and meddle in other's affairs on the question of resuming diplomatic relations between China and Indonesia. For this reason, it was entirely necessary for him to add: "It is up to the Ministry of Foreign Affairs to decide whether or not to resume diplomatic relations."

Near East & South Asia

Spokesman Condemns U.S. Downing of Iranian Plane
HK0507083888 Beijing RENMIN RIBAO in Chinese
5 Jul 88 p 1

[Text] Beijing, July 4 (XINHUA)—A Chinese Foreign Ministry spokesman condemned here today the U.S. warship's action of shooting down with missiles an Iranian airliner in the Gulf region. Text of the statement follows:

"We were shocked to learn that a U.S. warship had shot down with missiles an Iranian airliner in the Gulf region and caused the death of 298 people on board. We condemn this action and express our condolences for the victims.

"We reiterate that the Chinese Government is opposed to big power military involvement in the Gulf region. Such involvement is not conducive to peace and stability in the region. It is our hope that there will be a peaceful settlement of the question of Iran-Iraq war at the earliest possible date."

Reportage, Reaction on Downing of Iranian Plane

RENMIN RIBAO Article
HK0507110888 Beijing RENMIN RIBAO in Chinese
5 July 88 p 6

[Article by Ming He (2494 3109): "Earthshaking 'Shot in Error'"]

[Text] On 3 July, a passenger plane of the Iran Airlines flying over the southern part of the Gulf was brought down by the U.S. Navy. All the 290 passengers including dozens of children on board were killed. This is a shocking event to the world, a tragedy that caused disaster to innocent people. This event has shocked the international community and become a topic of international concern.

Immediately after the plane was brought down, the U.S. side announced that a U.S. vessel had sunk and damaged three Iranian gun boats and brought down an enemy fighter plane during an exchange of fire with the Iranians in the Gulf. Later, U.S. Joint Chiefs of Staff Chairman Crowe admitted at the Department of Defense that the plane brought down was an Iranian Airlines passenger plane, and he said the U.S. Government deeply regrets its navy's "firing at the Iranian passenger plane by

error." U.S. President Reagan has also made similar remarks. As for the Iranian side, the IRANIAN NEWS AGENCY said this A3000 airbus carrying 290 passengers aboard and flying from Port Abbas of Iran to Dubai of the United Arab Emirates was brought down by the U.S. Navy deliberately, and it was absolutely not a shot in error. So the agency denounced this as air banditry.

Now that the United States and Iran have argued on different grounds, whose argument is credible has yet to be verified. But the term "shot in error" is after all horrifying. As the U.S. warship is equipped with radar and other advanced military facilities, obviously it is not difficult for such a warship to distinguish a fighter plane from a giant "airbus" within its "flying object distinguishable zone." Hence the U.S. fleet that brought down the "airbus" can hardly convince people by arguing that the plane was approaching and threatening the U.S. vessel when it was spotted. Could one ever imagine that an "unarmed" civil airliner with 290 passengers on board would plunge into the U.S. warships' fire net like a moth darting into a flame?

As everybody knew, the United States announced the sending of a fleet to the Gulf under the pretext of safeguarding oil tankers' freedom of navigation in the Gulf. At that time, the media pointed out that superpowers' military intervention would only make the situation in the Gulf more complicated. Their opinion has already been proved by recent developments. Intervention by U.S. warships has never brought peace to the Gulf. Now people cannot help but ask whether the U.S. military forces' intervention in the Gulf has actually safeguarded or seriously infringed upon freedom of navigation in the Gulf! In order to prevent any more incidents like this which killed 290 airbus passengers, powerful countries' military involvement in the Gulf must be stopped. The Iran-Iraq War has already lasted 8 years and both sides have paid a high price for it. It is eagerly hoped that Iran and Iraq will cease fire as soon as possible in the interests of peace and stability in the Gulf.

HSIN WAN PAO Reaction
HK0507090688 Hong Kong HSIN WAN PAO
in Chinese 5 July 88 p 3

["Evening Talk" by Yang Chu (5017 2612): "China Condemns U.S. Shooting of Iranian Airliner"]

[Text] A Matter of Course [subhead]

Reacting to the event of the downing of the Iranian passenger plane by the U.S. Navy, Beijing expressed its shock, condemnation, and condolences.

Beijing was shocked at the fact that the United States even used a missile to bring down a passenger plane, and condemned the United States for such an action. At the same time, Beijing mourned the death of the victims. This was a matter of course.

Beijing Open and Aboveboard [subhead]

This attitude once again demonstrated China's independent and self-determined foreign policy.

Sino-U.S. relations are good and will continue to improve, but this does not prevent China from criticizing and condemning the United States for their evil actions.

This is a gentleman's attitude of being open and aboveboard, and also indicates China's principled position.

Saw Through Things Long Ago [subhead]

China always holds a realistic attitude toward the conflicts in the Gulf. First, China opposes the military involvement of big powers. Second, China hopes that Iran and Iraq will stop the war and solve their disputes in peaceful ways and thus reach reconciliation.

China opposes the military involvement of big powers. Concretely speaking, China did not agree that the United States and the Soviet Union should send their planes and warships to the Gulf region to interfere in the affairs there. As China saw through things long ago, no matter what excuses are used for the interference, even for the purpose of "escorting ships," it only demonstrates the efforts of the big powers to seek military hegemony in that region, and it will only add more trouble to that region as well as make the situation more tense.

What the Fact Proves [subhead]

Now, reality has proved that Beijing's opinion is correct.

Hasn't the "involvement" of the United States added more trouble to the Gulf region? Hasn't the situation there become more tense? Not only has the situation in the Gulf become tenser, but all overseas Americans may now also become more nervous. They are afraid that the bullets of vengeance may be fired at them at any time from the dark!

If They Are Hurt [subhead]

The ordinary Americans should not be responsible for this tragedy. It is irrational to make overseas Americans the target of vengeance. However, no people can guarantee that every action of the people who are in a towering rage and filled with the fury of vengeance is always sensible and reasonable?

If any ordinary Americans are hurt in overseas areas, nobody but the Reagan administration who decided the military involvement in the Gulf region should be condemned. Now, tragedy has occurred and has led to some irretrievable disastrous results, but the Reagan administration still refuses to change its policy and withdraw the naval fleet from the Gulf region!

CHINA DAILY Commentary

HK0507005988 Beijing CHINA DAILY in English
5 Jul 88 p 4

[By CHINA DAILY commentator]

[Text] The whole world is shocked by the tragic deaths of 290 innocent people, including many children and babies, on board an Iranian Airbus jetliner which was shot down by U.S. cruiser Vincennes over the Strait of Hormuz on Sunday.

This marks the most atrocious incident in history of a civil aircraft destroyed in military action.

The U.S. Government expressed "deep regret" over the loss of lives, but defended the shooting as "proper defensive action" in an excuse that the airliner was taken as a jet fighter approaching the navy cruiser.

Obviously it is not enough just to say "sorry" over this unprecedented man-made catastrophe, especially to those who have lost their loved ones on board the plane and waited in vain for their return.

The multi-million dollar surface-to-air missile system on board the USS Vincennes is claimed to be highly sophisticated, capable of tracking simultaneously the speed, course and radar signature of more than 200 targets and hitting 15 to 20 different targets at one time. How can people be expected to comprehend, therefore, its failure to distinguish a wide-bodied commercial airliner from a two-seat fighter jet?

The world may have to wait for the result of an investigation into the details causing the tragedy, but the blood shed on the Gulf has unmistakably showed the tremendous danger of the military involvement by big powers in a volatile region of hostilities.

Peace-loving peoples repeatedly have expressed their hope that all parties concerned will reach an early agreement to end the armed conflict in the Gulf region.

Now the fatal incident of the Airbus crash has once again underlined the urgency for the removal of big powers' military meddling in the region and for the peaceful settlement between the warring nations.

Syria Denies Deal for PRC Missiles

OW0307012788 Beijing XINHUA in English
0104 GMT 3 Jul 88

[Text] Damascus, July 2 (XINHUA)—A Syrian military spokesman denied here today any deal for Chinese-made missiles.

The spokesman dismissed as untrue Israeli reports that Syria had got sophisticated Chinese-made M-9 missiles.

The spokesman stressed that Israeli leaders know clearly that Syria has possessed missiles enough to defend its security and resist any aggression.

Echoing his denial the Syrian TV said tonight that neither contact nor negotiations had been conducted on this question. The Israeli rumor is aimed at blackmailing the United States for getting more advanced U.S. weapons, it noted.

No Comment on Libyan Missile Request
HK0307075288 Hong Kong AFP in English
0739 GMT 3 Jul 88

[Text] London, July 3 (AFP)—Libya is attempting to buy intermediate-range missiles from China capable of hitting Israel, the weekly SUNDAY TIMES reported here.

But the newspaper said Libya was unlikely to clinch the deal, quoting unnamed defence analysts as saying that Beijing would reject Tripoli's request in view of the furore provoked in the West by China's sale of missiles to Saudi Arabia.

It said Libyan leader Mu'ammar al-Qadhafi had held secret talks on a possible missile deal with China that had been "monitored within the past four months by Western diplomats and defence analysts."

The report said Colonel al-Qadhafi was interested in CSS-2 missiles with a range of 2,400 kilometres (1,400 miles) of the type sold by China to Saudi Arabia, a deal that angered Washington and prompted Israel to threaten a pre-emptive strike.

It said Col. Qadhafi had turned to China after the Soviet Union refused to sell him intermediate-range SS-21 missiles.

Another attempt by Libya to boost its arsenal through a 1.8-billion-dollar deal with Brazil to develop two types of missiles with ranges of 560 kilometres (330 miles) and 940 kilometres (560 miles) also seems to have come to nothing, the newspaper said.

The Chinese missiles would give Col al-Qadhafi the ability to hit Tel Aviv and cities in southern Europe, but the SUNDAY TIMES said China had acknowledged that al-Qadhafi is a far more unreliable customer than the regime in Riyadh.

Libya currently has Soviet-made SCUD-B missiles with a range of 270 kilometres (160 miles), the newspaper said.

(In Beijing, officials at the Chinese Foreign Ministry and Libyan People's Bureau (embassy) could not be reached for comment on the report.)

NPC Vice Chairman Meets Libyan Visitors
OW0207091288 Beijing XINHUA in English
0736 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Zhou Gucheng, vice-chairman of China's National People's Congress Standing Committee, met here today a delegation from the Libya-China Friendship Association, led by its Vice-President Milad A. Shemela.

The delegation is here at the invitation of the Chinese People's Association for Friendship with Foreign Countries. During the delegation's stay here, the two friendship associations signed a cooperation agreement.

Sub-Saharan Africa

CPC's Yao Yilin Meets African Bank President
OW3006160988 Beijing XINHUA in English
0751 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—Chinese Vice-Premier Yao Yilin met with Babacar N'Diaye, president of the African Development Bank, and his party here today.

Guinean President To Discuss Reform on Visit
OW0407105288 Beijing XINHUA in English
0028 GMT 4 Jul 88

[Text] Conakry, July 3 (XINHUA)—Guinean head of state General Lansana Conte said Saturday that the main objective of his forthcoming visit to China is to contribute to strengthening multiform cooperation of mutual benefit between Guinea and China.

The Guinean president, who is to visit China from July 8 to 12, said, "We can exchange our experiences on economic reform, which is being carried on in Guinea and China, to make the reform of our two countries a success."

"The perspective of Sino-Guinean cooperation is broad," Lansana Conte told a press conference held at the Palace of Nations. He added, "We will do our best to make the cooperation advantageous to the Guinean and Chinese peoples."

On Guinea's foreign policy, Lansana Conte said, "We follow a policy of openness to all countries. We hope to work together with all countries who want to cooperate with us," he added.

He stressed that such cooperation should be based on respect for sovereignty and territorial integrity.

Burundian Independence Day Marked at Embassy
OW0107153088 Beijing XINHUA in English
0727 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Burundian Ambassador to China Basile Gateretse gave a reception at his embassy here today to mark the 26th anniversary of the independence of Burundi.

Present on the occasion were Qian Zhengying, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, leading officials of relevant government departments and diplomatic envoys of various countries to China.

Qian Zhengying will soon visit Burundi, XINHUA learned.

'Analysis' on Opposition to Mozambican Resistance
OW0207115888 Beijing XINHUA in English
0127 GMT 2 Jul 88

["News Analysis: Frontline States Have More Room To Fight Pretoria-Backed MNR (by Chen Hegao)"]—XINHUA headline]

[Text] Lusaka, July 1 (XINHUA)—Zambian President Kenneth Kaunda recently told reporters that Zambia has received permission from the government of Mozambique to pursue the Mozambique National Resistance Movement (MNR) into Mozambique's territory whenever the MNR attacks Zambia.

Diplomats here say that Mr. Kaunda's statement shows the Frontline States—Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe—are adopting a tougher attitude toward the MNR's attempts at destabilization and the Mozambique Government is eager for assistance in fighting the MNR.

Receiving both material and military support from South Africa and a handful of other international organizations, the anti-government forces have been a constant source of concern, not only for the destabilization caused inside Mozambique, but also for its sabotage activities against neighboring states.

The MNR's killing, looting and raiding in Mozambique over the last decade have made the situation in the country's rural areas worse than ever before. These destructive activities have affected nine of the country's 10 provinces and made displaced persons out of six million of the country's 14 million people.

The Mozambique Government estimates the cost in dollar terms from 1975 to 1987 at around six billion U.S. dollars. The destruction and looting from 1980 to last February rendered 1,800 primary schools inoperative, closed 720 health units, 900 shops, and destroyed 1,300 trucks, buses and tractors.

The U.S. State Department has revealed in a study that about 100,000 defenceless civilians in Mozambique have been brutally murdered by the MNR over the past year alone.

Analysts consider Pretoria's backing of the MNR as the main reason for the spread of the destruction at such terrifying proportions.

Support for the MNR has given Pretoria a useful hand against Mozambique and other Frontline States, analysts maintain.

Zambia is one of the frontline states whose borders have been frequently crossed by the MNR in recent months. Last December, one Zambian was killed, 600 head of cattle stolen and nearly 100 people abducted by the MNR in a cross-border raid that also damaged Zambia's one million-kwacha (120,000 dollars) border post.

In April of this year, 12 heavily-armed MNR troops were captured at Sinda in the Eastern Province by Zambia's security forces when they entered the country. The MNR incursions have been reported here nearly every month of this year.

On May 18, when a group of MNR forces killed eight Zambians, injured seven others and stole 28 head of cattle at the Tafelansoni Village in Chadiza District, the Zambian forces pursued them 20 kilometers inside Mozambique, razing two MNR camps and killing 73 MNR troops.

The fighting between the Frontline States and the MNR is, in part, fighting between the Frontline States and Pretoria, because a major strategic objective in South Africa's undeclared war against Mozambique and other Frontline States is to use the MNR to close down the Beira corridor. To cut off the line will render Zimbabwe almost completely dependent on the South African transport network, and affect the transportation of other southern African countries.

Well aware of this threat, Zimbabwe has sent 10,000 troops to Mozambique to help fight the MNR and protect the Beira corridor leading to the Indian Ocean.

In retaliation against Harare for aiding the Maputo government, the MNR has carried out repeated sabotage against the Beira oil pipeline which feeds Zimbabwe fuel and is guarded by about 8,000 Zimbabwean troops.

At present, even Malawi has deployed troops to guard the Nacala Railway in northern Mozambique, one of Malawi's traditional routes to the sea that has been badly damaged by the MNR.

Tanzania has also reportedly stationed 5,000 troops in Mozambique to help the government forces fight the MNR.

Informed sources here suggest that in the face of Pretoria's direct and indirect aggression, the Frontline States may be looking for a common strategy against the MNR and South African attempts at destabilization.

West Europe

Portugal's Foreign Minister Continues Visit

Greeted by Vice Minister Zhou

LD3006220688 Lisbon International Service
in Portuguese 1800 GMT 30 Jun 88

[Excerpt] Foreign Minister Joao de Deus Pinheiro arrived today in Beijing for a 6-day official visit to China. He was received warmly by Zhou Nan, first [as heard] deputy foreign minister, who made an official visit to Portugal at the end of 1986 before Prime Minister Anibal Cavaco Silva went to China to sign the joint Sino-Portuguese declaration on the transfer of the Macao Administration to China in December 1999.

Minister Joao de Deus Pinheiro is accompanied by the Chairman of the Interministerial Committee on Macao, high-ranking Foreign Ministry officials, and business leaders. Pedro Cid, who is covering the minister's visit, reports:

[Begin recording] The official visit starts tomorrow morning with a working meeting with Foreign Minister Qian Qichen. In the Portuguese view, this working meeting is of great importance. Macao will be the main subject, but many aspects of international politics will also be reviewed—without obviously forgetting the question of Timor.

As a matter of fact, Minister Joao de Deus Pinheiro told us that a Portuguese reply to Indonesia's criticisms of President Mario Soares' declarations in Manila and later in New York is being circulated to all UN delegations. This reply contains the fundamental Portuguese positions and is being circulated like a UN document. [passage omitted] [end recording]

Meets Foreign Minister Qian

OW0107144488 Beijing XINHUA in English
0706 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Chinese Foreign Minister Qian Qichen and Portuguese Foreign Minister Joao de Deus Pinheiro expressed satisfaction with the development of Sino-Portuguese relations and the successful settlement of the Macao question during their talks here this morning.

Qian noted that the Sino-Portuguese relations have developed smoothly in various fields since the two countries established diplomatic relations in 1979.

"There are a sound basis and broad prospects for continued growth of Sino-Portuguese friendship and cooperation," he added.

Pinheiro described the relationship between Portugal and China as a model, and no problem or friction exists between the two countries, he said.

He also expressed the hope for continued development of the Portuguese-Chinese relations and establishment of joint ventures by Chinese and Portuguese entrepreneurs in both countries.

Qian said that the successful settlement of the Macao question marked a new chapter in the history of Sino-Portuguese relations.

"The fact that Macao has experienced social stability and economic growth in the past year testifies to the soundness of the Sino-Portuguese joint declaration on the Macao question," he added.

Pinheiro also noted that the settlement of the Macao question was a result of the fruitful dialogue and contacts between the two countries.

He said that the Portuguese Government is willing to do everything possible on the Macao question to promote the relations between the two countries.

The two ministers also exchanged views on the East-West relations, the Kampuchea question and the situation in Southern Africa. They were glad to note that the two countries share identical or similar views on many major international issues.

Qian also accepted an invitation from Pinheiro to visit Portugal at his convenience.

Holds Talks With Wu Xueqian

OW0207002288 Beijing XINHUA in English
1522 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Chinese Vice-Premier Wu Xueqian said here today China attaches great importance to expanding political and economic ties with the European Community.

Speaking at a meeting with Portuguese Foreign Minister Joao de Deus Pinheiro, Wu said a united and strong Europe is not only an important force for safeguarding world peace but a strong pillar of the world economy.

He said he hoped European Community countries would give greater support to China's modernization drive.

In their discussion, Wu and Pinheiro expressed satisfaction with the smooth development of Sino-Portuguese relations.

Earlier in the day, Ji Pengfei, director of the Hong Kong and Macao Office under the State Council met with Pinheiro and told him the satisfactory solution of the Macao issue has brought friendly cooperation of the two countries into a new stage.

Ji said both China and Portugal hope that social stability and economic prosperity will be maintained in Macao during the transition period. For that reason both sides should increase their exchanges and mutual consultations, he said.

Pinheiro said the Portuguese Government is willing to cooperate with China through consultations on the issue of Macao.

Zheng Tuobin, Chinese minister of foreign economic relations and trade also met with Pinheiro and his colleagues.

This evening, the Portuguese visitors attended a banquet at the state guesthouse hosted by Chinese Foreign Minister Qian Qichen.

Prior to the banquet, the two foreign ministers signed a cooperation agreement between the China Council for the Promotion of International Trade and the Portuguese Industrial Association.

Meets With Li Peng

OW0207135188 Beijing XINHUA in English
1340 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—China is facing two problems in tapping the rich potential of its natural resources and large population, Chinese Premier Li Peng said today.

"One is we are running short of funds, the other is we are backward in technology and management," Li said at a meeting with visiting Portuguese Foreign Minister Joao de Deus Pinheiro and his party.

"Therefore, we must adopt an open policy by introducing some technology and managing experience from the advanced countries," Li said.

Li hope Portuguese entrepreneurs will consider joint ventures and other forms of investment in China's coastal areas, especially the Pearl River Delta and other parts in Guangdong Province, which are near to Macao.

Pinheiro said Portugal wants to seek new ways of economic cooperation. Some entrepreneurs in his delegation have discussed the possibility of more joint-ventures, he said.

Received by Li Peng

LD0207223688 Lisbon International Service
in Portuguese 1815 GMT 2 Jul 88

[Excerpts] [Announcer] Foreign Minister Joao de Deus Pinheiro is continuing his official visit to the PRC. Today he met with Chinese Premier Li Peng and visited the Great Wall. Radio Portugal's special envoy, Pedro Cid, reports:

[Cid] The PRC premier received the Portuguese foreign minister in Beijing this afternoon. It was a relatively brief audience—as is customary in meetings with top officials of the Chinese Government. However, Joao de Deus Pinheiro was received cordially by the Chinese leader and some aspects of bilateral relations were discussed.

One of the strange facets of Joao de Deus Pinheiro's official visit has been the question of Macao. In other words, the controversies which have shaken the territory have not been discussed nor have they yet been mentioned by the Chinese leaders. Macao has been referred to as a point of stability, the desire for the transition process to be carried out peacefully and efficiently has been noted, but nothing more than this. [passage omitted]

Joao de Deus Pinheiro is to host a banquet this evening for his Chinese counterpart.

[Announcer] The foreign minister disclosed that the Portuguese secretary of state for foreign trade is to visit Beijing in October to formalize initiatives in the area of bilateral trade cooperation with the Chinese authorities. The LUSA News Agency adds that the Chinese authorities have already replied to the letter of intent from the Portuguese businessmen who are accompanying Minister Pinheiro.

Briefly, the proposals are connected with the transfer of technology for telephone manufacturing—a project estimated to be worth \$325 million. They are also connected with the manufacture of railroad cars by Sorefame and the construction of an iron and steel plant. As for the latter, an answer will only be given in October. The deputy chairman of the Portuguese Industrial Association said that the Chinese authorities had also been offered a project on composite materials for sidewalks, roads, airport runways and [word indistinct].

Discusses Macao Situation

LD0407024888 Lisbon International Service
in Portuguese 1830 GMT 3 Jul 88

[Excerpts] Portuguese Foreign Minister Joao de Deus Pinheiro is on a visit to China. Here is a report from Shanghai by Pedro Cid:

[Begin recording] [passage omitted] During the course of this visit, Joao de Deus Pinheiro has advocated the view that Portugal must regard the preservation of cultural and economic ties to Macao as a priority. Macao is an

open door to the Pacific, and the Portuguese Government must interpret and represent our interests there. This, Joao de Deus Pinheiro says, must be our first priority. The interest of other parties—namely, China—must come second. It thus follows that the visit to Macao in a few days may be invested with some significance, insofar as the Macao governor's latest statements are—in the reported version at least—at variance with the Portuguese foreign minister's views. Only a few days ago, Carlos Melancia [Macao's governor] stated in Lisbon that the Macao Administration must defend China's interests and see that they coincide with Portugal's goals. The official Portuguese delegation has made no secret of its displeasure at these statements.

Moreover, in an interview granted to the RDP [Radio-difusao Portuguesa] and LUSA News Agency correspondents, the foreign minister pointed out that the Constitution is about to be revised and suggested that the experts on constitutional matters should look at the matter of Macao and seek new formulas to preclude potential conflicts.

In this interview, which I mentioned in an earlier report, Joao de Deus Pinheiro replied to criticisms that have been leveled at him even from within the government. He asserted that he enjoys the prime minister's confidence and stated that his professional and academic grounding may prove to be a nuisance to any candidates to his post. Finally, he said that he can easily see himself retaining the foreign affairs portfolio when Portugal takes over the chairmanship of the European Community. [passage omitted] [end recording]

Hu Qili Briefs Italian Party Members on Reform
OW0207113588 Beijing XINHUA in English
1049 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—“We hope our price and wage reform will take five years during which the economic growth will remain comparatively fast,” Chinese leader Hu Qili said here today.

“The price and wage reform will really get underway beginning next year,” said Hu, Standing Committee member of the Chinese Communist Party Central Committee, when meeting Antonio Rubbi, member of the Italian Communist Party leadership here today.

Briefing the Italian guests on China's reform, Hu said, “Now we face a number of problems cropped up on our way of advance. We are now in the stage of transition from the old set-up to a new, that is, the old has been removed but the new has not been taken shape completely in the whole society.”

The way to solve those problems is to resolutely carry through the reform, Hu stressed.

Antonio Rubbi expressed satisfaction with the development of the relations between the Communist Parties of Italy and China, and said these two parties have cooperated completely, while respecting and helping each other.

“The Italian Communist Party considers the reform and open policy adopted the Chinese Communist Party to be important,” Rubbi said, adding these policies not only influence China but also the rest of the world.

Hu said he hopes the two parties will continue helping each other and strengthening cooperation.

During the meeting Hu asked Rubbi to convey General Secretary Zhao Ziyang's greetings to his Italian counterpart General Secretary Achille Occhetto.

Hu also said Zhao Ziyang extends an official invitation to Achille Occhetto to visit China at his convenience.

'Less Risk' Seen in High-Tech Exports to PRC
OW0507075888 Beijing XINHUA in English
0709 GMT 5 Jul 88

[Text] Paris, July 4 (XINHUA)—The Paris Committee studied the reduction of limits on export of technologies to China at a closed-door meeting here this morning.

The Paris-based committee, also called the Coordinating Committee for Export to Communist Areas and founded in 1950, includes Japan and all member states of the North Atlantic Treaty Organization (NATO) except Ireland.

Japanese diplomats told XINHUA that the meeting starting here today might work out a detailed list of technologies for export to China.

Japan put forward early last month a proposal for reducing limits on export to China of some high-tech equipment, especially telecommunications technologies and products.

The proposed exports to China will include digital control facilities, ship-shore communication systems, machine tools, electronic surveying instruments, electronic computers and civilian aircraft and helicopters.

Western European entrepreneurs no longer consider China as that one in the 1950s [as received] and China's openness should be taken seriously, they said.

Western European experts also said there will be less risks in exporting high technologies to China than to other Third World countries which might re-export them to the Soviet Union and Eastern European countries.

EEC To Provide Aid to Fujian Flood Victims
OW0207113988 Beijing XINHUA in English
0037 GMT 2 Jul 88

[Text] Brussels, July 1 (XINHUA)—The European Economic Community [EEC] decided Friday to offer emergency aid of 500,000 European currency units (about 570,000 U.S. dollars) to China.

A communique issued by the EEC said torrential rains at the end of May battered parts of eastern China's Fujian Province, damaging 360,000 hectares of farmland and causing the loss of 1.9 Million tons of grain. Also destroyed were 63,000 houses and 370 bridges. The storms caused the death of 99 people and injured another 700, affecting a total of about three million people.

The EEC's grants will provide drugs, medical assistance, temporary shelter, food and other emergency aid.

Tianjin, UK Firms To Build 'Chinatown' in London
SK0307035788 Tianjin TIANJIN RIBAO in Chinese
17 Jun 88 p 1

[Text] On 16 June an agreement was signed at the Hyatt Hotel with regard to land development for building a "Chinatown" in London with the joint investments of Tianjin Municipality and (Dockland) Development Corporation and (Montley) Group of London, Great Britain. Acting Mayor Nie Bichu said that it indicated an important step for the economic cooperation between the two sides and that the municipal government would vigorously support it.

"Chinatown"—a China economic and trade center—will be built in the "enterprise zone" along the Thames River in the east part of the city of London. Covering a total area of 14 acres and with a total construction space of 120,000 to 140,000 square meters, this "Chinatown" will embrace cultural exhibition centers, department stores, restaurant streets, shopping streets, office buildings, apartments, hotels, residences, and Chinese gardens.

Before the signing ceremony, acting Mayor Nie Bichu met with the British guests, warmly welcomed them on behalf of the municipal government and Mayor Li Ruihuan, and wished this project a success. Sir (Benson), chairman of the board of directors of (Dockland) Development Corporation in London, Great Britain, said that he would try his best to achieve success in this cooperative project.

Joining the reception were Zhu Wenju, vice chairman of the municipal People's Congress Standing Committee; Zhang Zhaoruo, vice mayor of the municipality; (Hull), member of the board of (Dockland) Corporation in London, Great Britain; (Dogen), senior member of the board of (Montley) Group; and pertinent responsible persons from Tianjin Municipality.

Chinese Student Association Launched in London
OW0407122588 Beijing XINHUA in English
2334 GMT 3 Jul 88

[Text] London, July 3 (XINHUA)—A Chinese Students and Scholars Association in Britain was set up at a launching ceremony in the Chinese Embassy in London today.

More than 100 student representatives from all over Britain and embassy officials attended the ceremony.

Dong Ming, the first chairman of the association, said that the new body was a mass organization for Chinese students and scholars studying in Britain set up under the principle of "unity, patriotism, democracy and realism."

It aimed at promoting unity and exchanges between Chinese students and scholars, defending their rights, encouraging their contribution to China's open-door policy and modernization program, and promoting friendly relations with overseas Chinese, the British people as well as students from other countries, he added.

With its headquarters in London, the association has three committees in charge of academic exchanges, cultural and sports events and the publication of a monthly newsletter.

Song Mingjiang, counselor at the Chinese Embassy, offered warm congratulations and said that he was convinced the association would carry forward the fine traditions of generations of Chinese students studying abroad and play a full role in helping the students and scholars in their study and life.

A Chinese feature film, "The Hibiscus Town", was shown at the end of the ceremony to the delight of the student representatives.

According to statistics provided by the educational section of the Chinese embassy, there were a total of 2,124 Chinese students and scholars studying in Britain by the end of 1987.

Shanghai, Netherlands Firms Plan Joint Venture
HK0407132188 Beijing CEI Database
in English Jul 4 88

[Text] Shanghai (CEI)—Philip Company V.B. of the Netherlands signed a contract with the Shanghai No. 7 Radio Factory on June 28 to jointly set up the Shanghai Philip Semiconductor Company.

The Philip Company holds most of the shares and offers specialized technology. The joint venture mainly produces integrated circuits with an annual capacity of 70 million pieces, which will be used in TV sets, radios and acoustic facilities.

The Philip Company will take charge of management.

Sino-FRG Center Offers Management Training
OW0307121988 Beijing XINHUA in English
1137 GMT 3 Jul 88

[Text] Shanghai, July 3 (XINHUA)—Altogether, 253 Chinese factory directors have been rotated through a Sino-Federal German enterprise management training center in Shanghai since it opened September 1986, XINHUA learned today.

Sixty German experts have taught at the 12 training sessions held so far. Their lectures range from enterprise organization to management of production, materials supply and personnel.

Similar centers have been set up in eight Chinese cities in addition to Shanghai, XINHUA learned.

East Europe

Hu Qili Briefs Bulgarian Journalists on Reform
OW0207015688 Beijing XINHUA in English
1331 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—It is China's firm policy to develop "sustained, stable and all-round relations of friendship and cooperation" with Bulgaria on the basis of equality and mutual benefit, respect and trust, a Chinese Communist Party leader said here today.

Hu Qili, member of the Political Bureau Standing Committee of the Chinese Communist Party Central Committee, said this when meeting a group of Bulgarian journalists headed by Boyan Traykov, member of the Central Committee of the Bulgarian Communist Party and director of the Bulgarian Telegraph Agency.

He also answered questions raised by the guests.

On China's on-going reforms, he said that China must straighten the unreasonable price relations, including the price parities between domestic and international markets and between industrial and agricultural products.

"Price reform is something that we cannot skirt round in restructuring our economy," he said. "We're trying to straighten the price system in a few years and gradually set up a new order of socialist commodity economy."

He said China is now in a changing period from the old system and order to the new system and order. This long period is a process of reform, during which efforts must be made to reduce contradictions to the minimum.

When asked to comment on the new trend, demand and experiments in socialist countries, he said that reforms have been a strong trend in the socialist countries since the late 1970s and early 1980s, adding that since conditions differ from one country to another, the patterns of reform are different. "Time is gone when one single model was copied and followed," he said.

"Diversification is an outstanding feature of reforms in the socialist countries today," he said.

CPC's Song Ping Meets GDR Party Official
OW0107135888 Beijing XINHUA in English
1058 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Song Ping, member of the Political Bureau of the Chinese Communist Party Central Committee, here this afternoon met Hans Modrow, member of the German Socialist Unity Party Central Committee and first secretary of the Dresden Regional Party Committee.

Song briefed him on the present work of the Chinese Communist party.

Modrow congratulated the Chinese Communist Party on the 67th anniversary of its founding. He told Song that the German Democratic Republic will hold an exhibition in Dresden next year on China's achievements since it was founded in 1949.

He also briefed Song on the Sixth Plenary Session of his party's 11th Central Committee.

Present on the occasion were Zhu Liang, head of the International Liaison Department of the CPC Central Committee, and Rolf Berthold, Ambassador of the German Democratic Republic to China.

CPPCC Official Meets Polish Economic Group
OW0407091688 Beijing XINHUA in English
0627 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Gu Mu, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference [CPPCC], met here today a delegation of the Polish Economic Association led by its vice-president A. Lukaszewicz.

Latin America & Caribbean

Brazil's President Sarney Begins 5-Day Visit

Departs Brasilia

OW0107153688 Beijing XINHUA in English
0615 GMT 1 Jul 88

[Text] Brasilia, June 30 (XINHUA)—Brazilian President Jose Sarney left here this afternoon to begin his five-day official visit to China at the invitation of Chinese President Yang Shangkun.

The aim of his visit, Sarney said, is to "give continuity and impulse to the good relations between the two countries," and to exchange views on international problems with Chinese leaders.

President Sarney, who is scheduled to arrive in Beijing on July 3, will meet with Chinese President Yang Shangkun and other Chinese leaders.

During his visit, the two countries will sign various agreements, among which is a protocol on the manufacture and launching of two remote sensory satellites in 1992 and 1994, respectively.

Foreign Minister Roberto Costa de Abreu Sodre, Aeronautics Minister Lieutenant Brigadier of the Air Force Octavio Julio Moreira Lima, and Science and Technology Minister Luiz Henrique da Silveira will accompany the president on the visit.

The Brazilian President will tour Xian and Shanghai during his stay in China.

Trip May Boost Technical Ties
HK0207034088 Beijing CHINA DAILY in English
2 Jul 88 p 2

[By staff reporter Da Chansong]

[Text] The highlight of Brazilian President Jose Sarney's five-day state visit this month is expected to be a significant boost to trade and technical co-operational between the two countries.

During the president's visit, which starts tomorrow, both governments will finalize the signing of an agreement on the joint research and launching of two earth resource satellites in 1992. The project will be undertaken by the China Academy of Space Technology and the Brazilian Institute of Space Technology.

The co-operation was begun in May by Brazilian Foreign Minister Doctor Roberto de Abreu Sodre during his advance visit to China, said a Chinese official.

He said the co-operation in space technology is likely to initiate closer co-operation in the field of high technology and accelerate the upgrading of technology development in both countries.

"It demonstrates that developing countries can also co-operate in the field of high technology," the official said.

China's contacts with Brazil on space technology go back several years to when both sides came up with the idea of using their favourable geographical positions to develop space co-operation in the search for natural resources.

Sarney is also pressing ahead with plans to sign governmental agreements with China on technology co-operation in other fields such as electronics, transport, mining, biotechnology and medicines.

Despite the cultural differences, China and Brazil are both developing countries and there is great potential for a wide range of cooperation projects, especially in the

field of technology, the official said. Each country has its own strong points, and between them they can make up what is lacking on the basis of mutual benefit.

There is no doubt about the potential for expanding bilateral trade, the official said. Both countries are moving towards closer, more beneficial and potentially brighter bilateral relations from a relatively stagnant position in the early year since 1974, when they established diplomatic relations.

In 1985, bilateral trade volume reached \$1.4 billion, the highest level, but fell drastically to \$600 million last year. The decrease was mainly due to reduction in China's major export product, crude oil, as a result of the falling price worldwide, and also reductions in China's steel imports from Brazil, the official said.

Profiled by XINHUA
OW0307051888 Beijing XINHUA in English
0534 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Jose Sarney, president of the Federal Republic of Brazil, pays a state visit to China from July 3 to 8 at the invitation of Chinese President Yang Shangkun.

Sarney was born on April 24, 1930 in Maranhao state of Brazil. Graduating as bachelor of law from the state university in 1953, he worked as a college teacher. He was a member of the Chamber of Deputies from 1958 to 1966 and served as vice-president of the chamber for a time. He was governor of Maranhao state from 1965 to 1970. He was elected a senator in 1970 and reelected later for another term.

He joined ARENA party in 1964 and served as vice-president, president of the party's state committee from 1970 afterwards. In 1978 he became the president of the leading committee of the ARENA party, which changed into Social Democratic Party in 1979. He withdrew from the Social Democratic Party in 1984 and founded Liberal Front Party with former Vice-President Chaves, which was later united with the Brazilian Democratic Movement Party (PMOD) to form the Democratic Alliance in June of the same year.

In the presidential election held in January 1985, he was elected vice-president of Brazil. On March 15 of the same year he was sworn in as acting president when the president-elect Tancredo Neves got hospitalized. After the president-elect died, he succeeded Tancredo Neves as the president of Brazil on April 22, 1985.

In foreign affairs, President Sarney reaffirmed the principles of safeguarding national sovereignty and independence, and gave priority to developing relations with Latin American countries.

President Sarney attaches great importance to relations with China, believing that Brazil and China have many common points which form the basis for a friendly relationship between the two countries.

In October 1985, he gave a warm welcome to Chinese Premier Zhao Ziyang during his visit to Brazil and described Zhao's visit as one that marks the high level of Sino-Brazilian relations. Sarney's visit to China this time is sure to further promote the friendly relations.

President Sarney is not only a statesman, but also a writer and a poet. He is fond of painting and music. He married Mary Macieira in 1952 and they have two sons and a daughter.

To Discuss Bilateral Issues

OW0207135688 Beijing XINHUA in English
0733 GMT2 Jul 88

[Text] Beijing, July 2 (XINHUA)—(Correspondent Chai Shikuan) Brazilian President Jose Sarney's visit to China, which will begin tomorrow, has been called "an important diplomatic act which should bring cooperation between the two countries to a new high."

According to Chinese Foreign Ministry officials, President Sarney will discuss international issues of common concern and bilateral relations with China's leaders.

During Sarney's visit important agreements are expected to be signed between the two governments including a cooperative agreement on scientific research and technological development in transportation and communications, and a protocol on the joint development of an earth resources satellite.

Geographically, China and Brazil are the world's two largest developing countries, they share a common interest in safeguarding world peace and promoting their own development, and have looked to each other for cooperation.

Since diplomatic relations were established between China and Brazil in 1974, political, economic, scientific and technological cooperation and trade between the two countries has rapidly expanded.

Former Brazilian President Joao Baptista de Oliveira Figueiredo's visit to China in 1984 and former Chinese Premier Zhao Ziyang's visit to Brazil the following year also promoted relations between the two countries.

Sharing identical or similar views on many key international issues, China and Brazil have kept in touch and supported each other in international affairs. Under their political consultation system, senior diplomatic officials from both countries have discussed bilateral relations and international issues of common concern with each other twice since 1986.

With both countries rich in natural resources and full of economic potential, trade between China and Brazil hit a record high in 1985 by topping 1.4 billion U.S. dollars and surpassing China's total trade volume with all other Latin American countries.

Due to a drop in oil prices, trade volume between China and Brazil fell off during the past two years, but both sides are exploring new ways to expand trade, and now commodity trade, mutual investment, labor cooperation and technology transfer are part of the two countries' economic contact.

Cultural exchange between China and Brazil has also been growing. The armies of both countries have exchanged visits, and last month, Brazil's Minister of the Army General Leonidas Pires Goncalves, visited China, and his visit is expected to promote more friendship and understanding between the armies of China and Brazil.

Arrives in Beijing

OW0307020788 Beijing XINHUA in English
0136 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—Brazilian President Jose Sarney and Mrs. Sarney flew in here this morning to begin their six-day state visit to China.

They were greeted at the airport by Qi Yuanjing, chairman of the Chinese Government reception committee and minister of metallurgical industry.

A girl and a boy presented bouquets to the two distinguished visitors who are accompanied by ranking Brazilian officials and parliament members.

President Sarney will be honored at a formal welcoming ceremony tomorrow to be presided over by his host, Chinese President Yang Shangkun.

Sarney is expected to hold talks with Yang on furthering Sino-Brazilian cooperation and international issues of common concern. He will also meet other Chinese leaders. A number of cooperative documents will be signed between the two sides during his stay.

Sarney is also scheduled to visit industrial enterprises, scientific research institutions and historic sites in Beijing, Xian and Shanghai.

Welcomed by Yang Shangkun

OW0407062588 Beijing XINHUA in English
0600 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Chinese President Yang Shangkun assured visiting Brazilian President Jose Sarney here today that China is willing to further cooperation with Brazil for common progress.

While meeting President Sarney and his wife today, Yang expressed, on behalf of the Chinese Government and people, warm welcome to the Brazilian visitors.

Yang said good cooperation exists between China and Brazil, who have many points in common and share identical or similar views on a wide range of international issues.

Yang praised Sarney as an outstanding statesman as well as a writer and a poet. He said he believed that Sarney's current visit will further the two countries' cooperation in the economic, trade, scientific and technological fields.

Sarney said the purpose of his current trip is to consolidate the existing friendship between Brazil and China and explore new fields of cooperation.

Not only the two countries have many similar points, he said, but also they have identical objectives.

He said the Brazilian Government is resolved to increase its relations with China and is willing to continue the dialogue between two the countries' top leaders.

Before the meeting, Yang presided over a welcoming ceremony for President Sarney.

Liao Hansheng, vice-chairman of the Standing Committee of the Chinese National People's Congress, and principal members of Sarney's entourage, attended the ceremony and the meeting.

Legislators Meet NPC's Liao
OW0407091888 Beijing XINHUA in English
0626 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Liao Hansheng, vice-chairman of the Standing Committee of China's National People's Congress, met here today seven members of the Brazilian National Congress who are accompanying Brazilian President Jose Sarney on his China Visit.

Holds Talks With Li Peng
OW0407075388 Beijing XINHUA in English
0729 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—China's Premier Li Peng and Brazilian President Jose Sarney today agreed both countries should work hard to correct their current trade imbalance.

During this morning's talks here in the Great Hall of the People, the two leaders also discussed overall relations between the two countries and exchanged views on international issues.

When mentioning bilateral scientific and technological cooperation, Sarney said, Brazil and China should cooperate on an equal basis because this sector offers many possibilities for working together.

"Bilateral cooperation in science and technology has been quite good," Li said, "and more concrete steps may be taken by both sides after the basis for cooperation has been worked out."

"At present," Li went on, "international relations appear to be less tense, but a latent danger still remains."

According to Li, the danger still exists because the superpowers are extending their arms race to the hi-tech level, and if the world's hot spots are not handled properly, the overall international situation could become more tense.

"We disagree with the idea that the two superpowers or their groups dominate world affairs," Li said, "and we hope people all over the world will work together to guarantee world peace."

Li also briefed the visiting Brazilian president on Sino-Soviet and Sino-U.S. relations and discussed China's stand on the Kampuchean issue.

Sarney voiced Brazil's view on disarmament, discussed the current situation in Central America, and mentioned Brazil's stand on supporting the Contadora Group.

Sarney stressed the importance of making the United Nations and other international platforms more influential in world affairs.

When discussing Brazilian foreign policy, Sarney said, "Brazil hopes for friendly relations with countries all over the world."

China's Foreign Minister Qian Qichen, Minister of the Metallurgical Industry Qi Yuanjing, and Brazilian high-ranking officials accompanying Sarney also attended today's talks.

Notes World Trends With Li Peng
HK0407135488 Beijing ZHONGGUO XINWEN SHE
in Chinese 0844 GMT 4 Jul 88

[Report by reporter Li Wei (2621 0251): "Li Peng Says Aid Given to Underdeveloped Countries by Developed Countries Is Not Alms"]

[Text] Beijing, 4 Jul (ZHONGGUO XINWEN SHE)—China's Premier Li Peng said here this morning: The poverty in many areas of the world has been caused by the extremely irrational international economic order. The aid given by developed countries is not alms, but is the debt developed countries owe to underdeveloped countries.

Li Peng pointed out: Extreme poverty will cause social problems and conflicts and will make developed countries lose markets. Therefore, developed countries should be more farsighted, especially in handling the debt problem.

In his 2-hour talks with Brazilian President Jose Sarney, Li Peng also expressed certain worries about the international situation.

He said: There has been a welcome trend of detente in the current international situation, but a latent danger still remains. This danger finds expression in two aspects: 1) The arms race between the two superpowers is developing toward high technology; 2) There are still many hot spots. If they are not handled well, the situation will become more tense.

Li Peng stressed that China disagrees with the idea that the two superpowers or their groups dominate world affairs and maintains that the people of the world should defend peace with their own strength.

Li Peng briefly explained changes in China's view on the international situation, current Sino-Soviet and Sino-U.S. relations, and China's principled stand on the Cambodian issue.

Sarney said: Modern technology should not be used only by a small number of countries. Third World countries should join forces to jointly develop and master advanced technology. Brazil and China have an extremely extensive field of cooperation in science and technology.

He said: In dealing with relations between countries, Brazil and China hold identical views. Relationships between developing countries do not hinge on the similarities and differences of social systems. He also said that Brazil attaches great importance to China's modernization policy, which is a creative policy.

Sarney said: Forging an increasingly closer friendly relationship between Brazil and China and raising this relationship to a higher level is not the temporary policy of the present Brazilian Government but is Brazil's overall state consciousness. All political parties and groups in Brazil approve of this policy.

Before the wide-ranging talks, Li Peng and Sarney also held private talks. Both parties are reportedly very satisfied and maintain that the talks have been significant.

Awarded Honorary Degree

OW0407131988 Beijing XINHUA in English
1021 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Visiting Brazilian President Jose Sarney today received an honorary doctorate degree from Beijing University.

At a ceremony to mark the occasion, Beijing University President Ding Shisun praised Sarney for his contributions to the mutual understanding and friendship between the Brazilian and Chinese peoples as an outstanding statesman, writer and poet.

Sarney, wearing a school badge of Beijing University, replied that the Brazilian Government will make further efforts to strengthen cultural exchange and cooperation between the two countries.

Sarney later attended a ceremony, held by the China Press and Publications Administration, to mark the publication of the Chinese edition of a collection of his short stories, entitled "North of the River".

Speaks to Scientists

OW0407134288 Beijing XINHUA in English
1152 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Brazilian President Jose Sarney today called on Brazil and China to work together to break the monopoly of technology enjoyed by a few developed countries.

Sarney made this remark in a speech entitled, "Science and Technology are the Common Wealth of Mankind—Be Vigilant Against Economic Abuse of Knowledge" to over 100 Chinese officials and scientists here today.

Sarney said that knowledge, which is a legacy left to us by our predecessors, belongs to the whole world. But today, a large number of inventions are monopolized by a few developed countries.

He noted that Brazil and China should work together to master technology and help other countries in this regard. An important aspect of future Brazilian-Chinese relations should be the pursuit of economic and social progress so as to find an ideal world in which inventions are the common property of mankind, he said.

He noted that science and technology are not only of great importance to a country's policies for development, but also primary factors in deciding overall international relations.

He said the developing countries cannot wait until they have reached identity in social structure to meet the great challenge of scientific and technological progress.

Whatever road a country selects, he said, science and technology are the common means to accomplish the great task of development.

With the increase of global exchanges and mutual market infiltration, he stressed, the present world has become more interdependent. As a result of this, cooperation is now needed to undertake research projects. It has now become more and more rare for an inventor to reach a new realm of human knowledge single-handedly.

Sarney said that scientific and technical inventions, which used to be regarded as the wealth of mankind, have become trade secrets.

This view seems to be held not only by private enterprises, but also by states in dealing with each other.

He said that obstruction of the exchange of scientific and technological information may affect a country's chances of achieving rapid technological development.

Honored by Yang Shangkun
OW0407144588 Beijing XINHUA in English
1340 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Chinese President Yang Shangkun said here today that friendly cooperation between China and Brazil in various fields has entered the stage of steady development.

Yang said this at a banquet he gave here this evening in honor of visiting Brazilian President Jose Sarney.

Yang noted that the Brazilian government and people have made marked achievements in consolidating the constitutional system, revitalizing the economy and pursuing an independent foreign policy under the leadership of Sarney.

He expressed the belief that the current visit by Sarney will further promote Sino-Brazilian relations.

He also expressed pleasure at the progress made by Latin American countries in strengthening their unity and cooperation, and promoting regional integration, adding that China regards Latin American cooperation as an important part of South-South cooperation.

He pledged that China will continue its efforts to further friendly cooperation with Latin American countries.

Turning to China's situation, Yang said that China has made great achievements since the adoption of the policy of reform and opening to the outside world.

He said that China's economic restructuring has entered the critical stage of price and wage reforms. With a proper readjustment of the relationship between prices and wages, a new economic system will come into being in the country.

"This will provide sound conditions for China to become well-off at the end of this century and catch up with moderately developed countries in the the middle of the next century. It will also open up wide vistas for the development of China's economic relations and trade with other countries, including Brazil," he added.

Sarney said that his visit will further understanding and cooperation between the two countries, which are facing a kind of challenge, adding that both sides should make use of the potential for development in the two countries through frank and free cooperation.

To strengthen scientific and technological cooperation is the key point in the bilateral relations, he said. "The important thing is that both countries should share experiences not only in traditional science, but also in advanced technology," he said.

He said that during his visit the two sides will sign some important documents concerning satellite investigation of global resources, industrial technology, transportation and electric power. "We will together strive to break the monopoly some industrialized countries have on advanced science."

He said that bilateral political relations are founded on a basis of mutual respect, equality and constructive dialogue, adding that the maturity of the bilateral political relations have been proved by frequent exchanges of visits by government leaders and ministers of the two countries.

"Both of us are proud that we are not slaves of the world powers and are not guided by regional clashes. We build our futures in accordance with our realities, as well as the real interests of peace and development," he said.

He said, "We need to overcome and get rid of various kinds of obstacles existing in the international economic order and hindering our economy to fully enter the world market." Independence is the prerequisite for self-development, which needs a favorable environment, he said.

He expressed the belief that the bilateral relations will make great progress, saying that both sides should contribute to improving the world order.

Liao Hansheng, vice-chairman of the Standing Committee of the National People's Congress, Chinese Vice-Premier Wu Xueqian and leaders in other spheres, as well as Brazilian officials accompanying President Sarney on the visit attended the banquet.

Deng Tells Sarney Zhao Ziyang Managing Country
OW0507074488 Tokyo KYODO in English
0701 GMT 5 Jul 88

[Text] Beijing, July 5 KYODO—Chinese senior leader Deng Xiaoping said Tuesday he is "just before sunset" and that Party General Secretary Zhao Ziyang is now managing the country.

Deng, chairman of the Central Military Commission, made the comment during his meeting with visiting Brazilian President Jose Sarney in the Chinese capital.

Deng also said he is fit enough to swim but he has finished his work of the past decade.

He said China's present main leaders are Zhao and Premier Li Peng and that Zhao is managing the country.

Sarney Notes Deng's 'Good Health'

OW0507070088 Beijing XINHUA in English
0530 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—China and Brazil have the same faith and are good friends, Chinese senior leader Deng Xiaoping said when meeting Brazilian President Jose Sarney here this morning.

The Brazilian leader said Brazil and China have "very close friendly relations."

He described Deng as one who has put forth the contemporary theory of reform and said he is pleased to see Deng in good health.

Deng, chairman of the Central Military Commission, said that every summer he would go swimming in the sea for one month and a half. "Now is the time for me to go to the sea again," he added.

Deng Cites Need to Swim for Health

OW0507074988 Beijing XINHUA in English
0658 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—In a meeting with visiting Brazilian President Jose Sarney today, Chinese leader Deng Xiaoping said China and Brazil should expand cooperation and learn from each other to promote common development.

"Third world development is one important guarantee for world peace," Deng said, "and taking China as an example, our level of development will determine our contributions to mankind, but we have not yet fulfilled this historic duty."

President Sarney said, Brazil and China, which have maintained a close friendship, share common problems and aspirations, and Brazilians agree China's socialism has its own unique characteristics.

If China's importance and the future development of the country's modernization drive are not taken into account, Sarney went on, the 21st century could not be a century of the Pacific.

Sarney also maintained further cooperation between Brazil and China will contribute to world peace.

The Brazilian Government is devoted to promoting unity among the Latin American countries and the regional integration of Latin America, Sarney noted.

"We believe this stand is in line with world development trends," Sarney added.

"A sound political basis exists for the expansion of Sino-Brazilian cooperation," Deng said, "and these two countries, which consider each other reliable friends, should promote bilateral relations."

At the beginning of the meeting which lasted for an hour, Sarney praised Deng as an outstanding leader who has proposed the theories for China's reform, and said he was pleased to see Deng in such good health.

"As long as I can swim, I will be healthy," Deng said with a smile, "and now it's time to go to the beach again."

This morning Sarney placed a wreath at the monument to the people's heroes and visited the Forbidden City.

Flexibility Seen as Key in Trade With Brazil

OW0107134988 Beijing XINHUA in English
0749 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—China and Brazil should apply for more flexible forms of trade to cut the present trade deficit on the Chinese side to a minimum, a Chinese official said today.

Wang Qingyuan, an official responsible for Brazilian Affairs in the Ministry of Foreign Economic Relations and Trade, said here today China's trade deficit between 1985 to 1987 totalled 1.2 billion U.S. dollars.

China also had a deficit of 416 million U.S. dollars between 1974 and 1979 but enjoyed a surplus of 1.96 billion U.S. dollars between 1980 and 1983.

Wang said that despite the swings in trade, both countries have adopted an understanding and cooperative attitude.

Instead of cutting down the trade volume, the two countries seek a balance of trade while still promoting economic development, he said.

Wang said Brazil is China's largest trading partner in Latin America and eighth largest trader overall, exceeding France, Italy, Britain and Australia.

The trade volume grew from 17.42 million U.S. dollars in 1974, when the two countries established diplomatic relations, to 1.41 billion U.S. dollars in 1985.

Wang said achieving a trade balance has been difficult because of a lack of variety of Chinese exports.

Ninety percent of China's exports to Brazil are crude oil and falling world oil prices have had an adverse affect.

Wang said new fields of trade are being developed. China has so far established five trade companies and two joint venture enterprises in Brazil.

He said the two countries have started a cooperation in hydro power projects. Brazil is technologically advanced in building large hydroelectric power stations while China has expertise developing equipment for smaller ones.

He noted both countries belong to the Third World and have vast territories and rich natural resources. There is a bright future for bilateral economic and technological cooperation, he said.

CPC August Meeting To Discuss Price, Wage Issues
HK0507002888 Hong Kong TA KUNG PAO in Chinese
5 Jul 88 p 1

[“Special Dispatch”: “CPC To Hold Beidaihe Conference in August To Decide on Price, Wage Reform Schemes”]

[Text] Beijing, 4 Jul—According to sources concerned, the CPC Central Committee has already arranged its work schedule for the coming period with the aim of resolving the wage and price problems and breaking through this difficult pass in economic reform. The recently established State Council Price Commission will painstakingly draw up a reform scheme; during July, the Standing Committee of the CPC Central Committee Political Bureau and the Central Financial and Economic Leadership Group will listen to reports; and a central work conference will be held in Beidaihe in early August to discuss the question and take a decision. During this period the views of non-party experts in various fields will also be heard.

The ninth plenary meeting of the CPC Central Committee Political Bureau, which concluded on 1 June, explicitly pointed out that China's reforms have entered a crucial stage. The price and wage reform issues are very difficult but unavoidable problems. Since 18 May, Deng Xiaoping has publicly spoken seven times on price reforms while receiving foreign guests. He said that it is very dangerous to break through this pass, but it must be done. Breaking through this pass is for the sake of creating conditions for China's development in the next century.

The State Council has therefore set up a price commission, headed by Yao Yilin. This commission is a discussion body. Yao Yilin has directed this organ to first draw up a plan for price reforms. This is not just a plan that considers prices as they stand; it is to be a comprehensive scheme in which prices and wages are integrated and there is all-round consideration for the various reforms.

CPC Central Committee Approves Party Magazine
OW0207023388 Beijing XINHUA Domestic Service
in Chinese 0829 GMT 30 Jun 88

[Text] Beijing, 30 Jun (XINHUA)—Decision of the CPC Central Committee on Entrusting Its Party School To Publish “QIUSHI” Magazine

30 May 1988

1. In order to keep pace with the new situation in promoting reform and opening to the outside world, to carry out theoretical studies on the basis of Marxist theories and principles in close connection with China's specific conditions in economic and social development, and to promote new developments of Marxist theories,

the CPC Central Committee has decided to entrust its party school to publish the “QIUSHI” magazine as a theoretical journal for the whole party.

2. The general guiding ideology in this connection is to regard the party's basic line for the initial stage of socialism as a guide; give widespread publicity to the central task of economic development and the two basic points, namely, adherence to the four cardinal principles and implementation of reform and the open policy; put reform at the center of all undertakings; and guard against rigidity and liberalism.

The specific requirements are:

—Unswervingly act in accordance with the fact that practice is the only criterion in verifying truth; pay attention to studying the guidelines laid down by the report to the 13th National CPC Congress and studying the experience in carrying out practice since the 3d Plenary Session of the 11th CPC Central Committee; and closely combine the basic theories of Marxism-Leninism-Mao Zedong Thought with practice during the initial stage of socialism in China.

—Earnestly study theoretical and practical issues during the initial stage of socialism in China, particularly those actually required in carrying out reform, opening to the outside world, and promoting construction, as well as that of party building under the new situation; implement the principle of integrating theory with practice; and study laws for the development of objective reality with a specific object in view.

—Resolutely implement the principle of “letting a hundred flowers blossom and letting a hundred schools of thought contend”; vigorously carry out theoretical studies, and guard against onesidedness. Efforts must be made to strengthen unity among theoreticians on the basis of the aforementioned two basic points. Particular attention must be paid to unifying those comrades who express different views in the course of carrying out theoretical studies and to encouraging more writers to write for the magazine.

—Improve the style of writing, and fill the magazine with vitality so that more readers enjoy reading it.

3. The magazine is intended for cadres at and above county level, as well as theoreticians and propaganda workers.

4. The magazine may assign persons to act in various provinces, autonomous regions, municipalities under the direct administration of the central government, and the PLA General Political Department as its liaison men, and, if necessary, maintain friendly ties with theoretical journals of communist and workers' parties in various foreign countries.

5. The chief editor and deputy chief editors of "QIUSHI" magazine will be appointed by the central authorities.

6. It is hoped that the whole party will give this magazine its full support. The departments concerned must provide the magazine with the necessary work conditions and run it well.

Zhao Stresses Supervision Over Institutions
OW0107185188 Beijing XINHUA in English
1811 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Chinese Communist Party leader Zhao Ziyang today called for reinforced supervision over party and government institutions and openness in the reform of China's cadre system.

"It is necessary to strengthen supervision to keep party and government institutions clean and honest, which is vital to the reform," said Zhao, general secretary of the Chinese Communist Party Central Committee.

Speaking at a national organizational work conference which ended here today, Zhao said that party and government organs should be forbidden to engage in commercial activities.

"This principle should be strictly observed," he said, adding that it is necessary to draw a clear demarcation line between officials and merchants.

ons that operate commercial businesses should
ted from party and government organs, and the
ould not ask the former to turn in their profits
roperty, Zhao said.

In developing a commodity economy, he went on, it is impossible to completely avoid various unhealthy tendencies in the society as a whole. But these tendencies will not pose serious problems so long as party and government institutions are clean and honest, he said.

Zhao said the key to keeping them honest and clean lies in strengthened supervision, namely, the supervision of the people, the society and party organizations, in addition to educational work and enforcement of relevant laws and regulations.

All party organizations should exercise supervision over leading officials in party and government institutions, the general secretary emphasized.

On the reform of the cadre system and the selection of officials, Zhao said that openness and equal opportunity for all candidates are most important for the reform.

"The selection of officials should be made open, the more open the better," he said, adding "equal opportunity comes with openness, and this is what democracy calls for."

Ordinary people should be encouraged to participate in the selections and personnel departments be subject to the supervision of the masses, he said.

"The evaluation of the performance of officials and governments should be based on whether they have promoted the development of productive forces," Zhao said.

He said the development of productive forces should not be equalled to profits-seeking and he explained that if one makes profits at the expense of the interests of the country he is indeed hindering the development of productive forces.

"Bureaucratism and dishonesty will hamper the development of productive forces," he warned.

Zhao Ziyang Urges Peasants To Raise Chickens
HK0507045788 Xian Shaanxi Provincial Service
in Mandarin 0400 GMT 5 Jul 88

[Text] According to SHAANXI RIBAO, when General Secretary Zhao Ziyang investigated chicken-raising by the peasants in Gaoling County in late June, responsible comrades of the province, city, and county explained to him that at the end of May, Gaoling County, with an agricultural population of only 180,000, was raising 1.6 million chickens, of which 1.1 million were being raised by the peasant households. Last year the county produced over 10 million kg of eggs, some 9.42 million of which were marketed in the urban areas. One of every four eggs eaten by the residents of Xian comes from Gaoling County.

Comrade Zhao Ziyang expressed enthusiastic appreciation of this, saying: To have every peasant family raise several hundred or as many as 1,000 chickens, and to form a comprehensive service setup covering chick-hatching, fodder, manure, veterinary services, packaging, transport, preservation, and specialized handling is a better method than simply running large mechanized state-owned chicken farms.

He also said: China's is a very large market. Chicken-raising in Gaoling could not develop without the requirements of Xian City and the large and medium-sized cities and towns. Consumption is not all a bad thing. Requirement can stimulate production. In the past when market supplies were short, this could not be fed back to production, and the only method was to issue ration coupons. Things are different now that we are running a commodity economy.

Gaoling County's peasants started the household raising of large numbers of chickens in 1984, and this became a craze in 1985. The vigorous development of this business has brought great changes to the rural areas of the county. First, it has directly increased the peasants' income. Second, it has stimulated the conversion of grain. Third, it has provided employment opportunities

for over 10,000 surplus laborers. Fourth, it has provided large amounts of high-quality organic manure for crop cultivation. Last year the chickens raised by peasant households alone yielded 47.5 million kg of droppings, equivalent to constructing a plant producing 12,000 tons of standard chemical fertilizer a year.

Li Peng Interviewed on Wage, Price Reform
HK0507102288 Beijing RENMIN RIBAO in Chinese
4 Jul p 1

["Li Peng Says Wage and Price Reforms Will Proceed in Step With One Another" by reporters Zhu Yunlong and Zhang Rongdian]

[Text] Beijing, 3 Jul (XINHUA)—In an interview with responsible persons of six Japanese press organizations at the Great Hall of the People yesterday afternoon, Premier Li Peng said China's wage and price reforms will proceed in step with each other, so that the people's actual income will not drop as a result of price reform.

A reporter asked: How do you approach the question of balance between economic growth and stability and the relationship between this balance and prices?

Li Peng said: This is a simple question which requires a long answer. I believe that we should not treat "economic growth" and "economic stability" as two concepts opposed to each other. The two should be treated as a whole. Economic stability does not mean zero economic growth. Instead, it means that the economy should grow at a reasonable rate and in a sustained, stable manner. At the First Session of the Seventh NPC, the average annual growth rate of China's GNP was set at 7.5 percent for the next 5 years. If we can maintain our growth at this rate, we are assured of attaining the projected target of quadrupling the GNP by the end of this century.

He said: "In fact, China's economy has grown by about 10 percent annually over the past 2 years. We consider this growth rate to be good if it also yields good economic results."

He pointed out: In recent years China has been having overexpanded capital construction and excessively higher growth in consumption spending. This is not what we would like to see. We will take effective measures to solve these problems and strike a basic balance between total supply and total demand. This is why we need a reasonable, stable rate of economic growth.

On the question of the ongoing price reform in China, Li Peng said: Price reform is an important part of economic reform, which is aimed at changing the highly centralized, planned economic management structure to a socialist planned commodity economic structure in which the law of value will play a greater role. It is difficult to establish a socialist commodity economy and apply the law of value if the price system is not straightened out.

He continued: The current unreasonable prices and price structure are a product of history. Their reform is difficult and may involve risks. While being determined to carry out reform, it is necessary to work out proper plans and choose opportunities for each specific reform measure. In other words, we must take into account to what extent people, enterprises, and society can bear the consequences. Price reform cannot proceed without the support of the people.

He said that the State Council has established a special price commission. It is an organ for discussing price issues and it is drawing up long and medium term plans for price reform, such as a 5 year plan for price reform. This plan will make clear the targets, steps, and methods for reform, straighten out influence of price reform, and take into account comprehensive supplementary measures. The commission will also concentrate its efforts on the formulation of a plan for next year's price reform.

He said: Straightening out price relations not only calls for changing the unreasonable price parities between industrial and agricultural products, between raw and semifinished materials on one hand and processed goods on the other, and between public utilities and transportation on one hand and energy resources on the other, but also calls for gradual establishment of a price system suitable to the socialist commodity economy.

Li Peng stressed: In order to win the people's understanding and support, we will have dialogues with the people by various means before any major plan or measure on price reform becomes official.

He said: We are firmly opposed to indiscriminate price hikes and firmly prohibit the practice of taking advantage of the promulgation of a new price plan to seek price hikes. Price reform will proceed in a planned, orderly manner. People's governments, commercial organizations, and enterprises at various levels will strictly enforce price discipline to protect the interests of producers and consumers.

He continued: Wage reform will proceed in step with price reform to ensure that the people's actual income will not drop as a result of price reform. The principle of "to each according to his work" will be upheld and egalitarianism will be opposed in our wage reform. Because this will widen differences in income, we will levy regulatory tax on higher income earners and adopt necessary measures to protect people living below the minimum standards, such as by giving them appropriate subsidies.

Li Peng Admits Some Resistance to Reform
OW0407052788 Beijing XINHUA Domestic Service
in Chinese 1244 GMT 3 Jul 88

[By reporters Zhu Yunlong, Zhang Rongdian]

[Text] Beijing, 3 Jul (XINHUA)—In an interview with the responsible persons of six Japanese press organizations at the Great Hall of the People yesterday afternoon,

Premier Li Peng said that the Chinese Communist Party and Government are not satisfied with bureaucracy, corruption, and unjustified income in China and will take active and effective measures to solve these problems step-by-step.

A reporter asked: How do you view the discontent among a number of college students and the people over price rises, low income of intellectuals, bureaucracy, corruption of cadres, and unhealthy party style and social tendencies and how will you overcome these problems?

Li Peng said: We do have these problems in our society. The people and college students are dissatisfied with inadequate education spending, low income of intellectuals, unjustified income, and bureaucracy and corruption in government agencies, and they have criticized these phenomena and made suggestions. I believe it is normal for them to do so. Our party and government are not satisfied with these phenomena either. However, our party, as the ruling party, and government cannot simply say that we are not satisfied; we must take active and effective measures to gradually resolve these issues and overcome the harmful tendencies.

He added: These problems are primarily caused by the fact that we are in transition from the old to the new system. Effects of the old system are still being felt, and the new system has yet to be fully established and perfected. The CPC Central Committee has called for the establishment of a new order of socialist commodity economy. Its very purpose is to systematically stop these loopholes and overcome the harmful phenomena from their very source.

He continued: Some of the problems are affected by the level of our economic development and can be overcome as the economy develops.

He pointed out: At the Seventh NPC and CPPCC sessions, deputies and delegates made many suggestions on the income of the intellectuals and education spending. After the session, the CPC Central Committee, its Political Bureau, and the State Council seriously studied these problems and are ready to make some improvements within the limits of our economic ability. A number of measures are to be adopted one after another.

He said: To overcome bureaucracy and corruption among cadres, we need supervision by the masses, further development of democracy, and supervision by the mass media.

He said: On the question of unjustified income, if the income is reaped through illegal means, the culprits will be punished and suppressed according to the law. Efforts should also be made to find the root causes and systematically stop the loopholes. For example, some of the companies that were established recently had nothing to

do with the development of production but were primarily engaged in speculation and usury by taking advantage of price differences. In our price reform, steps will be taken to gradually eliminate the double-track price system and stop the loopholes of usury from the very source. Taxes will be levied on legitimate higher income earners as a means to regulate income. Collection of individual income tax has not been strict so far, and steps will be taken to gradually improve the system.

Asked if there is a "reform faction" or a "conservative faction" in the Chinese leadership, Li Peng said: "Chairman Deng Xiaoping and General Secretary Zhao Ziyang have answered this question many times. We all support reform. Of course, we might have different views on a specific issue and different opinions on steps and methods. We might differ on one issue or another. This is quite normal."

He said: "When the general objective is the same, different opinions are allowed to exist on concrete issues. I believe this is a kind of normal operation of democracy."

Asked if there was resistance [zu li 7091 0500] to political reform in China, Li Peng said: We cannot say there is no resistance. However, we should say that our political reform is comparatively smooth. The tasks set by the 13th CPC Congress, namely separating the functions of the party and government, delegating more power to lower organizations, restructuring government organizations, democratic consultations through dialogue, further perfecting democracy and the legal system, are being implemented smoothly step-by-step. We have also set up a ministry of personnel to prepare for the establishment of a system of public servants.

Li Peng Discusses Political Reform

OW0307141888 Beijing XINHUA in English
1330 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—The new order of socialist commodity economy China is attempting to establish will attack bureaucracy, corruption and unjustified income, Chinese Premier Li Peng said yesterday.

Speaking to journalists from Japan's six press organizations at a joint conference here, Li said the Chinese Communist Party and Government are not satisfied with these issues and are committed to taking "active and effective measures" to solve the problems.

Li said the problems are due to the temporary coexistence of the old economic system and the new one that is replacing it.

"Now," the premier said, "the fact that the party Central Committee has called for the establishment of a new order of socialist commodity economy is aimed at stopping up these loopholes and overcoming these harmful tendencies fundamentally and tightening the rules."

He said that these problems will be overcome as the economy develops.

Curbing bureaucracy and corrupt tendencies among officials entails greater supervision by the masses and mass media.

Li said ways have to be found to plug loopholes that allows people to reap incomes unjustifiably.

He was particularly critical of companies engaged in speculation and usury. They are not beneficial to the economic development, he said and suggested one approach to attacking the problem would be getting rid of the double-track price system that allows state-fixed and negotiated prices to co-exist.

Li felt people in high income brackets should pay taxes.

On a question about the treatment of intellectuals and education spending, Li said the Political Bureau and the State Council have studied these problems and are ready to make all possible improvements. Some new measures will be adopted but he did not elaborate.

Asked if there is a "reform faction" or a "conservative faction" in the Chinese leadership, Li said Chairman Deng Xiaoping and General Secretary Zhao Ziyang have mentioned this issue many times.

"We all support the reform," he said, "of course leaders have different methods in a particular issue and they might have different opinions in steps and methods. This is normal," he said. With the same general objective different opinions are allowed to exist on concrete issues, he said. He believed that this is a kind of "normal democracy."

Referring to political reform, he said, it cannot be said that there is no hinderance. "But our political reform is comparatively smooth. The tasks set by the 13th National CPC Congress such as the separation of the functions of the party and government, delegating more power to lower organizations, the reform of government organizations, democratic consultations through dialogue and further perfecting democracy and legal system are being implemented step by step.

China has set up a new Ministry of Personnel and the system of public servants is in preparation, he noted.

Li Peng Urges Ties With Foreign Airlines
HK0207034288 Beijing CHINA DAILY in English
2 Jul 88 p 1

[By staff reporter Liu Dizhong]

[Text] Chinese Premier Li Peng yesterday urged further co-operation with foreign airlines and airplane manufacturing companies to promote the progress and development of China's civil aviation.

Li Peng said China maintains "close ties" with Lufthansa Airlines, Boeing, Pratt & Whitney of the United States. "These good relations should be firmly consolidated," he said.

During his meeting with leaders of these companies, the Premier said the on-going reform would greatly promote the prosperity of the nation's aviation industry.

The reform, which is characterized by the separation of the government function from that of the aviation companies, will focus on improvement of management and service by bringing into full play the initiative of these companies.

Li Peng said three State-owned independent aviation companies had been established and another three would be set up in the near future. Air China, which was officially inaugurated yesterday, is the third after the establishment of the two companies—one is in Chengdu of Sichuan Province and the other is in Shanghai.

Air China is established on the basis of the Beijing Regional Administration of Civil Aviation Administration of China (CAAC). The functions of CAAC will be limited to the supervision of all six airlines.

At a ceremony to mark the establishment of Air China, State Councillor Zou Jiahua called on the new companies to give priority to flight safety and better service for both Chinese and foreign passengers.

Air China is now the largest aviation company of the three, operating 32 international routes and 44 domestic routes. Focusing on flights outside China, it has aviation contacts with about 100 nations and 23 offices throughout the world.

The new company has a fleet of 46 aircraft, including 30 medium- and long-ranged Boeing jumbo jets. All these planes will soon be repainted in the colours of the new airline with a symbol of the phoenix, which, according to Chinese tradition, means good luck.

Song Ping on CPC's Organization Affairs
OW0407020188 Beijing XINHUA Domestic Service
in Chinese 1141 GMT 25 Jun 88

[By reporters Hu Qinghai and Sun Benyao]

[Text] Beijing, 25 Jun (XINHUA)—The National Conference on Organization Work opened in Beijing today. Song Ping, member of the Political Bureau and head of the Organization Department of the CPC Central Committee, stressed at the meeting that at the crucial moment of reform, party organizations at all levels must pay greater attention to party building, strictly administer party affairs, heighten party members' sense of organization and discipline, improve party organizations'

fighting power, bring party members' exemplary vanguard role into full play, and, under the centralized leadership of the Central Committee, join the people in the country in expediting all reform projects.

Sponsored by the Organization Department of the CPC Central Committee, the conference will discuss the ranks of party members and the building of party organizations, and seriously study how to strictly administer party affairs and deepen the restructuring of the cadre system. Attending the meeting are 283 leading members and heads in charge of organizational affairs of all provinces, autonomous regions, and municipalities directly under the Central Government; and leading members in charge of cadres' affairs of Central State organs.

Making a report entitled "Deepening Reform, Strictly Administering Party Affairs, and Ensuring the Implementation of the Party's Basic Lines Organizationally," Song Ping said: Thanks to the leadership of the party Central Committee and all party committees, organizational work has achieved great successes since the holding of the National Forum on Organizational Work in 1983. Since 1982, over 550,000 outstanding young and middle-aged cadres in the country have been promoted to county-level or higher leading posts; leading groups have made a big step forward in having younger, better educated, more revolutionary, and professionally more competent members; over 2.87 million veteran cadres have retired; and the succession of old cadres by new has been gradually institutionalized. Certain breakthroughs have been achieved in restructuring the cadre system by abolishing the lifelong tenure for leading cadres, promoting and demoting cadres, giving grassroots cadres more power, and recommending leading cadres and evaluating their performance through democratic processes, as well as hiring enterprise operators through open bidding. Making continuous efforts to implement policies toward cadres and intellectuals, organization departments have basically resolved all the historical problems. During the period between the 3d Plenary Session of the 11th CPC Central Committee and the 13th National Party Congress, a large numbers of frame-ups and erroneous verdicts were settled. Having had their "burdens" removed, many comrades have resumed working, and some proficient personnel have been reappointed. Education and supervision of party members have been intensified, and the system governing the establishment and operation of the grassroots party organizations has been restructured.

Song Ping dwelled specially on the tasks facing organization departments and certain practical issues that have to be dealt with.

On party members, he said: Improving party members' proficiency according to established norms so that they are qualified to rule and to lead reform and opening up is an issue of first and foremost importance in strengthening the ranks of party members during the new period. The quality of our party members is generally good. The

majority of party members have been loyally and actively adhering to the party's lines, principles, and policies. Bringing into play their exemplary vanguard role on their posts, they have been influencing and guiding the masses to accomplish all missions. However, there are some cadres whose political consciousness is low, who do not set strict requirements for themselves, who do not care much about their responsibility to the party, and who do not have clear ideals. Some care little about discipline and are highly individualistic. Some party member-cadres are seriously bureaucratic, have abused their authority for personal gains, and are divorced from the masses. Judged by the requirements for party members, a small number of party members cannot measure up, and an extremely small number of them have already become degenerates. While the number of such people is small, they have corrupted the party conduct and tarnished the party's prestige.

Song Ping said: Unqualified party members can be found in the rural areas, factories, schools, government offices; as well as among ordinary party members and leading cadres. Seriously and properly handling these unqualified party members is essential for improving the quality of party members and strengthening party organizations' fighting power, and an important requirement for strictly administering party affairs. He pointed out: The handling of unqualified party members should proceed according to the principle of "upholding criteria, establishing the footing on education, dealing with each case differently, and resolving problems comprehensively." We should educate each and every party member on the need to uphold the criteria for party members, and make sure they understand how to be qualified party members during the new period. Democratic evaluation of party members' performance should be carried out within the party and unqualified party members should be handled according to the nature of their cases. The few degenerates within the party must be firmly eliminated. Whenever one is discovered, he should be removed promptly. By no means should we be lenient toward them, or tolerate them and let them tarnish the party's prestige.

Song Ping said: The work of handling unqualified party members should begin now. County-level and higher party committees may carry out pilot projects in the rural areas, factories, offices, and schools, and spread out the project after gaining some experiences in those places. The project should proceed group by group, and concentrated efforts should be exerted for 2 or 3 years until results have been achieved. Song Ping stressed: The criteria for Communist Party members should never be lowered during the initial stage of socialism. The criteria prescribed in the party constitution must be upheld while judging whether a party member is qualified, and whether an applicant is qualified for party membership. A party members' communist consciousness and progressiveness should be demonstrated by his loyalty to the communist cause, his awareness in adhering to the party's basic line for the initial stage of socialism, and his hard work in building a Chinese style socialist society.

On building party organizations, Song Ping said: Building stronger grassroots party organizations in the rural areas is urgent. He pointed out: The fundamental mission of the grassroots party organizations in the rural areas should be one of organizing and guiding the masses to develop agricultural production and commodity economy in a way appropriate to local conditions so as to achieve common prosperity. Meanwhile, they should intensify spiritual construction and guide the peasants to build a new, civil, and affluent socialist countryside. In light of this requirement, party organizations in the rural areas should draw up clear-cut objectives and accomplish some useful projects each year. He said: Party organizations in official organs must firmly improve inner-party democracy and intensify the supervision over party members. According to the Central Committee's guideline that "the economy should thrive and party and government organs should do their work honestly," we should make sure that each and every party member abides by law and discipline, does his work honestly, and takes the initiative to fight all sorts of irregularities, power abusing, malfeasance, collusion with merchants engaged in illegal dealings, corruption, and other decadent phenomena. Party organizations should firmly carry out regular activities and seriously make criticism and self-criticism. They should evaluate party members' performance at regular intervals, and make sure that all party members—especially those who are leading cadres—seriously adhere to party principles and policies, improve their efficiency, and combat bureaucraticism.

Song Ping stressed: From now on, while we continue to restructure the personnel system, we should further democratize the management of cadres. He pointed out: Mystification and lack of democratization is a long-standing problem in the management of cadres. This is why proficient personnel cannot come to the fore and placement irregularities cannot be avoided. To solve this problem, we need to do two things: First, our cadre-related work should be clearly visible. The masses should know and oversee such work as what sorts of people will be promoted, and on what grounds are they promoted. Second, we should uphold the system under which everybody has equal opportunities but only the competent will be used so that more people can compete with what they really know. To substantially democratize the selection of personnel, we should know the characteristics of different types of cadres, select and recommend them and appraise their performance through democratic processes, and hire them openly or through open examination.

Song Ping noted: Party building now faces many new problems. While paying attention to studying practical issues, comrades of organization departments should also pay attention to theoretical study of party building. Guided by Marxism, we should uphold reform, emancipate our minds, proceed from reality, integrate theory with reality, and courageously explore certain important issues in the spirit of seeking truth from facts.

Qiao Shi on Strengthening Party Building
HK0207045188 Beijing LIAOWANG in Chinese
No 25, 20 Jun 88 pp 5,6,7

[Report by LIAOWANG reporters: "Comrade Qiao Shi on Strengthening Party Building"—first paragraph in boldface as published]

[Text] **Comrade Qiao Shi pointed out when inspecting Anhui:**

If the party wants to prove equal to the heavy leadership task which it is currently undertaking, it must make greater efforts to improve itself. Strict administration of the party must be practiced by the leadership first, and concurrently, every party member and cadre must impose strict requirements upon himself. In proposing the theory on the initial stage of socialism, we do not mean to lower the requirements for party members. All corrupt elements within the party must be resolutely weeded out.

Qiao Shi, member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the CPC Central Commission for Discipline Inspection, made an inspection tour in Anhui from 6 to 17 May during which he aired important views and opinions on strengthening party building under the new circumstances of reform and opening up.

It Is Necessary To Place Party Building on the Important Agenda [subhead]

Qiao Shi said: While developing the socialist productive forces, upholding reform and opening up, we must adhere to the four cardinal principles. The first of which is to uphold the party's leadership. If our party wants to prove equal to the heavy leadership task that it is currently undertaking, it must make greater efforts to improve itself in terms of ideology, organization, and work style—the party must be run strictly.

Qiao Shi emphasized: Party and government leading organizations at all levels must set great store by party building and place it on the important agenda. Leading comrades must be concerned about and personally take care of it and administer the party strictly. Of course, party and government play their own roles and everyone is required to do his duties properly. Every party member and leading cadre is obliged to be concerned about party building. Party committee secretaries at all levels must take the lead, but their efforts alone are not enough.

As far as party building is concerned, we must not only make regular efforts but also pay attention to specific issues. In strengthening party building we must not only stress principles but also specific issues in a down-to-earth manner as if we were dealing with economic affairs. Great success will be achieved in party building as long as everyone attaches great importance to the task; always places it on the agenda; party and government

leading comrades personally take care of it and make unremitting efforts to pay attention to all kinds of specific issues and deal with them in a thoroughgoing way.

Our party style has been mainly good since the 3d Plenary Session of the 11th CPC Central Committee, and in certain aspects, the party has performed better than ever. It has adopted the theory on the initial stage of socialism and laid down a basic line accordingly. New progress has been made in the integration of theory and practice; cultivation of close links with the masses; criticism and self-criticism; inner-party democracy, and so on. However, we must be aware of the existence of corruption and a handful of corrupt elements within the party, which merit great attention.

In 1986, Comrade Xiaoping pointed out: "If the general social mood continues to deteriorate, what is the use of economic success? Such being the case, our country will degenerate in non-economic aspects and this will in its turn adversely affect the economic sector and thus turn our country into a world of wild corruption, larceny, and bribery."

Qiao Shi said: To strengthen party building, we must separate party leadership from government administration. When this is effected, party committees will be able to extricate themselves from the heavy burden of routine administration; spare more time and energy for party building; enhance the party's leadership and create better conditions for strengthening party building and administering the party strictly.

To Administer the Party Strictly, Leading Cadres Must Set Good Examples for Others, Then Every Party Member Must Impose Strict Requirements Upon Himself [subhead]

Qiao Shi pointed out: To strengthen party building and administer the party strictly, the leadership must take the lead, and concurrently every party member and cadre must impose strict demands upon himself first. In demanding that the leadership take the lead we not only mean that our leading comrades and leading organs must set store by this task, but also that all leading cadres who are party members must set good examples for others. If one just delivers speeches preaching to others to do this or that, but remain idle oneself, then one cannot convince others.

Leaders must take the lead in strengthening party building and set good examples for others, but their efforts alone are not enough. Every party member should impose strict demands upon himself first, as the party constitution puts equal demands on all party members. Only in this way will party building be really successful and our goal not be turned into empty talk.

Qiao Shi said: In order to do a good job we must pay attention to several other aspects. First, we must devote more energy to the development of systems that eliminate seedbeds for unhealthy tendencies. Second, we must carry forward the party's fine traditions and style. Our party has a glorious history of more than 60 years during which many very fine traditions and a good style were cultivated. Carrying them forward is of great importance to party building and the four modernizations. Third, we must study new circumstances, adopt new methods, and get new experience in light of the needs of the new period, thus ensure that party building can expedite more effectively, reform, opening up, and the development of productive forces.

Comrade Ziyang recently pointed out that it is necessary to strive for economic prosperity and to maintain honesty in party and government organs. This is a very important principle which must be strictly implemented. Although times have changed and we are now enjoying much better material conditions than during the Red Army and Yanan periods, we must not abandon but carry forward the glorious traditions of plain living and hard work. Communist party members must not forsake the spirit of "being concerned about affairs of state before others and enjoying comfort after others."

Higher and Stricter Not Lower Requirements Must Be Imposed Upon Party Members at the Initial Stage of Socialism [subhead]

Qiao Shi emphatically pointed out: After the 13th CPC National Congress put forth the theory on the initial stage of socialism, some people maintain that the requirements for party members can be lowered at the initial stage. They are completely wrong.

Let us look back at history. Founded in 1921, our party engaged in democratic revolution until the victory of the revolution throughout the country in 1949. That period was further from communist society than the present is, but at the time the party's requirements for members were not low. We spent 28 years removing the three big mountains and then opened up the socialist road in China, a large country with a population of several hundred millions. It was a very arduous and complicated struggle which imposed very strict demands upon our party members; many people sacrificed their lives in this struggle! How could the Chinese revolution have been won without the communist ideal and ideology and the arduous and brilliant efforts of the vast number of CPC members who struggled bravely and indomitably?

To , at the initial stage of socialism, our party assumes the heavy duty of leading the Chinese people in the building socialism with Chinese characteristics and faces many new circumstances and challenges. In face of the new circumstances emerging from the reform and the opening up process, we must assimilate and draw on foreign countries' valuable experiences, resist the influence of degenerate capitalist ideology and guard against

the revival of feudal ideology. Our party must not only pass the test of ruling the country but also that presented by reform and opening up. Therefore, at the initial stage of socialism, the quality requirements for party members and for leading cadre must not be lowered but heightened. Our country is still facing many difficulties and there will be countless difficulties and obstacles in the future. This requires every CPC member to make more self-sacrifices and take the lead in working hard. Only by doing so will we be able to pass the "two tests" and lead the masses in the unremitting acceleration of socialist construction.

Qiao Shi said: Cadres have undergone remarkable changes since 1982 when institutional reform was introduced. Now the vast majority of provincial, prefectural, city, and county leading cadres are relatively young, more educated, smarter, more ready to accept new things and the policy of reform and opening up, and less affected by old conventions. Some comrades have been performing quite well. They have set themselves examples to others; worked hard; gone to grass-roots units; maintained close ties with the masses; and done exceedingly well in their work, proving the correctness and importance of the "four requirements" for cadres put forth by Comrade Xiaoping. However, we feel that these new young cadres need to pay attention to two aspects: First, they must devote more time to studying Marxism-Mao Zedong Thought and in particular, the line, principles, and policies that the party has adopted since the 3d Plenary Session of the 11th CPC Central Committee—by laying down a more solid ideological foundation they will be able to perform even better. Second, they must take the lead in cultivating a fine work style and serve the people in a down-to-earth manner.

We are now enjoying more favorable conditions in various aspects. To be an "official" is difficult in one sense but easy in another: It is easy to remain idle in an official position for 2 to 3 years taking a passive attitude, but not if one goes to grass-roots units; does practical work for the people in a down-to-earth manner; and tries hard to achieve something. A CPC cadre will have to endure more hardships.

Take Action To Strengthen Grass-Roots Organizations and Enhance Discipline Among All Party Members [subhead]

Qiao Shi said: At present, many grass-roots party organizations, especially those in rural areas, are idle or simply paralysed. We must pay close attention to this problem. The party's line, principles, and policies cannot be implemented if its grass-roots organizations fail to function normally or play their full role. Prefectural, city, and county party committees in particular should take special care of grass-roots organizations. We must pay attention not only to the party's grass-roots organizations but also to the building of political power organizations. We must sum up experience through practice.

Units performing well should be commended appropriately and their experience be popularized, those performing badly should be criticized and consolidated wherever necessary.

It is necessary to publicize and commend outstanding party members and party branches that uphold reform and opening up; have done a good job invigorating the economy; set strict demands on themselves according to the party constitution; and set good examples for others in observing party discipline and state law. By doing so we can guide and expedite the development of grass-roots party organizations. It cannot be perfected in a short time. We are not to launch any political campaigns; achievements can only be made through sustained efforts.

Qiao Shi pointed out in particular, that it is necessary to attach importance to enhancing the discipline among all party members while implementing the guideline laid down by the second meeting of the Central Discipline Inspection Commission. As people do not implement orders; ignore prohibitions; are undisciplined and too lenient in handling cases of discipline violation, it is necessary to pay special attention. The problem of discipline has not only disturbed the party but government and legal departments; all problems call for the enhancement of discipline.

Party members must observe party discipline, those undertaking government work must take the lead in observing government discipline; as citizens, they must take the lead in observing laws and ordinances of the state. The party constitution allows it to operate within the limits of the state constitution and laws; no party member is exempt. It is necessary to imbue people with this view, publicize it, and elaborate on it in light of the actual situation. We must never indulge in empty talk, but take real action to strengthen and enhance discipline. For those involved in minor cases of discipline violation, it is necessary to educate them and give them an opportunity to correct their mistakes. Those failing the test of reform and opening up and who have seriously violated discipline, it is necessary to handle their case seriously according to party discipline and state law. Party members unequal to party membership, who refuse to mend their ways despite repeated admonition, must be persuaded to withdraw from the party. All corrupt elements within the party, must be resolutely weeded out. It is necessary to gradually enhance discipline in the whole party, government, and all departments. All party and government organs must practice honesty. Recently, when talking about the issue concerning party and government organs, and cadres running enterprises and doing business, Comrade Ziyang said: This practice must be stopped or it will cause endless trouble in the future. We must resolutely implement rules and regulations laid down by the CPC central authorities. Party discipline is one of the basic guarantees of party solidarity and unification. A party can never develop well without strict discipline.

Li Tieying Arrives in Xinjiang for Inspection
HK0507005788 Urumqi Xinjiang Regional Service
in Mandarin 0000 GMT 5 Jul 88

[Text] Li Tieying, member of the CPC Central Committee Political Bureau, state councillor, and minister of the State Education Commission, arrived in Urumqi by plane yesterday afternoon for an inspection visit. He was accompanied by Liu Bin, vice minister of the State Education Commission, and Jiang Jiafu, vice minister of the State Nationalities Affairs Commission. They were welcomed at the airport by leading comrades of the party and government in Xinjiang including Song Hanliang, Janabil, Amudun Niyaz, Jin Yunhui, and Mao Dehua, together with responsible persons of departments concerned.

Chen Xitong Meets Asian Games Conferees
OW0507042788 Beijing XINHUA in English
1332 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Chinese State Councillor Chen Xitong met here today with the delegates who are attending the Fifth General Assembly of the General Association of the Asian Sports Federations (GAASF).

Chen, also chairman of the 1990 Beijing Asian Games Organizing Committee and mayor of Beijing, said that the 11th Asian Games to be held in Beijing in 1990 needs the support and cooperation from the Asian individual sports federations.

The GAASF now has a membership of 29. During the general assembly, the delegates will visit the facilities of the 11th Asian Games in Beijing.

Early today, Li Menghua, minister of the Chinese Physical Culture and Sports Commission, declared the opening of the 5th General Assembly of the GAASF.

Wan Li Addresses NPC Standing Committee Closing
OW0107181488 Beijing XINHUA in English
1436 GMT 1 Jun 88

[Text] Beijing, July 1 (XINHUA)—It is inevitable for any developing country to encounter economic and social problems in their reforms including price hikes, unfair distribution, embezzlement and bribery, China's top legislator says.

And yet the root cause for the problems is not the reform but the failure to deepen the reforms, Wan Li said at the second meeting of the Seventh National People's Congress Standing Committee which ended here today.

Wan, chairman of the committee, said the problems may also be considered as a cost for further reforms and development.

Still, the problems have aroused concern and anxiety among the people, he said, and to these the Chinese Communist Party and Central Government have attached great importance.

Wan criticized the prevailing "two-track price system"—a planned price and a market price—as "not corresponding to the rules of value."

The system is disadvantageous to both producers and consumers and is not conducive to keeping government employees aboveboard and honest, he said.

In a sense, he said, speculation, personal gain, bribery and other acts contrary to the country's law are related to the system.

The crucial time has arrived for China to overcome difficulties in reforming price and wage systems, even though these may involve great risk, he said.

The price reform can proceed favorably provided there is a stronger acceptance of the country to deepen the reforms in various aspects.

This entails a sustained and coordinated development of national economy, enlivened enterprises, and improved economic performance and living standards.

Cultural Minister Writes on Art Troupes
HK0107103188 Beijing ZHONGGUO XINWEN
SHE in Chinese 0833 GMT 1 Jul 88

[Report: "Wang Meng on the Application of the 'Double-Track' System Among China's Performing Art Troupes"]

[Text] Beijing, 1 Jul (ZHONGGUO XINWEN SHE)—Cultural Minister Wang Meng says that the basic conception for the structural reform of performing art troupes is the application of a "double-track" system, a system which already exists. He made this statement in an article on the structural reform of performing art troupes published in the initial issue of the journal QIUSHI, which is hot off the presses today.

Wang Meng says that the essentials of the so-called "double-track" system are: Ownership by the whole people will be implemented among a few performing art troupes representing the highest artistic levels of our country and nation; performing art troupes of an experimental and exemplary nature that need support from the state; performing art troupes of particular historical value that need support from the state; and the performing art troupes of minority nationalities and other performing art troupes that need support from the state. Performing art troupes that fall into these categories will be left under the responsibility of government cultural departments. Various forms of ownership will be applied to the majority of performing art troupes and left in the

charge of society. In his article Wang Meng says that it will take some time to implement the "double-track" pattern, which cannot be completed overnight.

On the issue of performance agents, Wang Meng writes that performance agents have, in fact, surfaced. They have done much of work, made a lot of money, and have been very active. The performances they have organized have brought in profits. We cannot say that the performances they have organized were all inferior. Some were, but others were good; however, some were just fooling the audience. Their organizing performances plays a favorable role in enriching the people's lives and providing the opportunity for performing arts workers to go on stage. But of course, some confusion has been involved. Cases of some performance agents cheating the audience and actors have emerged. Only by building a performance agents system, a complete and perfect one at that, will it be possible to relax and to simultaneously do a good job in controlling performances.

The article especially mentions that the government will by no means adopt the measure of shutting out artists, who have dedicated their youth and talents to China's arts undertakings. On the contrary, China will make arrangements for their work, study, life, and welfare.

Officials Deny Deaths, Injuries in Village Clash
HK0107140088 Hong Kong AFP in English
1353 GMT 1 Jul 88

[Text] Beijing, July 1 (AFP)—Five people have been arrested following a clash in a suburb here last week between farmers and police which officials said Friday caused no deaths or injuries.

Reliable sources said about 70 policemen were injured June 21 during a clash with about 1,000 farmers who, fearing damage to their crops, were protesting plans to release flood water from a reservoir containing toxic waste from the nearby Yanshan petrochemical factory.

Authorities told the demonstrators that experts had advised them it would be dangerous not to release the water in view of recent heavy rains and the poor quality of the dam, the official said.

An investigative team has been named to evaluate the health effects of water pollution on residents of the village of Guce in Fangshan District, about 50 kilometers (30 miles) southwest of Beijing, party Secretary Li Jingju said at a press conference Friday.

Mr Li tried to play down the June 21 incident, claiming it was not a clash with authorities but an environmental protection issue.

The five people the police arrested "had broken the law" and would be turned over to the courts, he added.

"I can assure you that no one was killed," Mr Li said, denying rumors that three to seven villagers were beaten to death when police intervened in the demonstration.

Acknowledging that there had been clashes with about 500 villagers, he said an inquiry had shown "no one was hospitalized after the incident."

Sources said about 70 policemen were slightly wounded, mostly by rocks. Mr Li said "no more than 200" police had been involved, while villagers put the number at several thousand.

Mr Li said all farmers whose crops had been damaged by the polluted water would receive compensation, adding that fresh water had been supplied since the incident.

The petrochemical company involved in this first ecological conflict to emerge publicly in the People's Republic must compensate the villagers "as required by law," he said.

Results of the investigation into the farmers' health would be officially released, he said.

Some of the farmers had numerous red patches on their skin, a witness said.

Hong Kong Journal on 'Mass Riots'
HK0407073188 Hong Kong CHIUSHIH NIENTAI
in Chinese No. 222, 1 Jul 88 pp 38-40

[Article by Cheng Ying (2110 1305): "Mass Riots on the Mainland Rise One After Another"—passages in bold-face as published]

[Text] A Shandong Provincial Party Committee circular has revealed the shocking truth about Cangshan peasants smashing up their county government. The peasants started a rebellion, while none of the country officials dared to show up. The disaster caused heavy losses. Campus unrest, football fan riots, and rising incidences of robbery all spell fermenting turmoil with reform running on the rocks. People have grown passive through resentment and antagonistic from passivity. Their sentiments will decide the success or failure of CPC price and wage reform.

Some trends causing social unease have surfaced on the Mainland since the first half of 1987. Social problems arising from the mistakes in opening up and reform, especially the spiral price hikes leading to resentment and panic among the masses, have resulted in a series of riots triggered off by several factors in some localities. Leaving aside the Tibetan lama revolts which took on some nationality and religious coloring, we have seen: The Cangshan peasant riot which broke out in Shandong in May last year; the several rounds of campus unrest at Beijing University; the many cases of train robbery in various places; the historical relics robbery and coal mine robbery; the football fan riot in Nancong, Sichuan,

last May; and so on and so forth. All these have put a great invisible pressure on Chinese society and caused the surging wrath of the Chinese people.

Of course one may regard these troubles and riots as isolated and accidental. However, we should not view these incidents in isolation from their social background and timing. Their social background is that China's reform has come to a critical juncture; the pressure resulting from a panic over the loss of price control has grown more intense with each passing day. Over the years the masses have gone through the process from pinning their hopes on reform to adopting a wait-and-see attitude, and from observation to breaking down into a panic. Meanwhile, their sentiments have undergone the change from passivity to confrontation. Viewing things from this angle it is not difficult to see the causes of social unrest.

The "27 May" incident which ended in peasants smashing up the county government in Cangshan, Shandong, a year ago seems to have sparked off a series of "riots resisting the powers-that-be" nationwide.

Circular Revealing the Riot's Inside Story [subhead]

This mass riot marked by smashing up the county government was covered by local media between May and August last year. However, the complete true story of the incident was never revealed at home or overseas. The county party committee took the same approach in speaking about the incident: A handful of bad elements gave vent to their grudge against the party and government; it was an incident typical of beating, smashing, and looting. Consequently seven criminal elements were given sentences of imprisonment ranging from 1 to 5 years.

In the 1987 Document No 14 issued by the Shandong Provincial Party Committee however, when the incident was made public province-wide, a decision was made to remove the Cangshan County CPC Committee deputy secretary from office, while the county party committee secretary was suspended from office for investigation. The county party committee was held responsible for handling the incident.

Through indirect connections, this reporter had access to an internal circular which disclosed the inside story on the incident. Although this report called it "The Garlic Incident" (for Cangshan turns out abundant good-quality garlic and garlic sprouts) to shield its gravity, the report truthfully explained the root cause of the damage to the county government. Having gone through the report one might draw the conclusion that this could have been the most serious mass riot since the founding of the PRC. One might as well make the following analysis: During the manmade disasters resulting from the "Great Leap Forward" in 1958 no one rebelled. Nor did "riots resisting the powers-that-be" take place during the 3 years of natural calamities, despite several millions

of people dying of starvation, for people still pinned their hopes on the CPC. Mass riots were unheard of even in the decade when the "gang of four" were running roughshod (the internal turmoils and factional struggles were quite another kettle of fish.) But in a time when the rule of law, opening up, and reform are the order of the day, that a riot with thousands of the masses attacking government organs, looting and smashing them up in a big way should have happened, resulting in paralysis of the government machinery, has given us much food for thought.

Was It Accidental or Inevitable? [subhead]

The root cause of the incident was rather simple.

Cangshan, Shandong produces abundant good quality garlic. Garlic farmers achieved satisfactory incomes in 1986. On such grounds the country increased the acreage and density of the garlic crop in 1987 by rushing headlong into mass action while sowing the seeds of a crisis in garlic marketing. It is understandable that the peasants should know nothing about the market supply and demand law. But it should not be so with the county party committee leadership. However, it turned a blind eye to this situation while turning on the green light for the county's bank, industrial, commercial administrative, taxation, and measurement bureaus to each to get ready to make a windfall from the peasants, who were to reap a bumper garlic harvest. For a time, an avalanche of exorbitant taxes and levies of various descriptions simultaneously swept over the peasants: "Vegetation charges," "advanced tax payments," "errand charges" "service charges," "vegetable stall tax," "transaction tax," "balance-examining fee," and so forth, in addition to fines for "violating rules and regulations" of every description—the peasants had to bear a heavy burden before the bumper harvests were on the horizon!

According to the report the county party committee had called 49 meetings on garlic "marketing" (as a good reason for it to get away with the responsibility). However, the irony is that the 49 meetings should have come to the following conclusion: A rational purchase price was not fixed because of the misty market condition but the free passage for irrational taxes and charges on garlic farmers remained, and the leadership did not even estimate the county's gross garlic output.

Ignorance coupled with bureaucratism along with red eye disease, a symptom of being jealous of the peasants becoming well-off, made the county party committee leadership blind with its lust for gain. That was precisely the background of the large-scale peasant riot.

The Riot Began With a Commotion [subhead]

The bumper harvest was pleasing but a red light was lit in marketing.

On 22 May, when Cangshan started purchasing garlic, the price was set at 0.80 yuan per kg. In the next 2 days garlic poured into the county site in startling volume from all corners. The purchasing departments were scared stiff. When they calculated that they were unable to take in such a volume of garlic for export, they started cutting back the purchasing price. It dropped from 0.80 yuan to 0.60 yuan per kg; then dived from 0.60 yuan to 0.30 yuan before falling flat to 0.10 yuan. On 25 May, the purchasing price continued to shrink to 0.04 yuan, one-twentieth of the price of the first-day purchases.

Around 40,000 garlic farmers swarmed into town on 27 May. The county site was literally saturated with the flow of people and cars, and turned into an ocean of garlic with strong garlic scent permeating the air. However, the several scores of purchasing stations had received orders from above: Stop purchasing garlic. Garlic no longer meant cash but had turned into a burden. The peasants were driven to despair.

A peasant shouted in desperate wrath: "Get the county governor! Get the Secretary!"

When the peasants went to the county party committee to reason things out the chief responsible persons were enjoying a fiesta.

Violence started at noon when several thousands of people rushed into the county party committee building. Window panes were smashed. Desks and chairs in all offices were broken into pieces. Then the smashing turned into looting with everything movable in the building being taken away.

The county party committee secretary did not dare show up at this critical moment and would not even answer the telephone. The gate to the county party committee compound, the living quarters of the county leaders, was shut tight and guarded by reinforcements. None of the county leaders made their appearance throughout the course of the riot. When the prefectural party committee was briefed on the critical situation in an emergency call, the prefectural leadership gave the instruction: "Do not fight back should anyone be beaten and do not talk back should anyone be abused." The public security men had to watch the worsening situation with folded arms.

The 5-hour smashing and looting resulted in a disaster: All documents, personnel files, and data were torn to pieces or looted and 750 articles of public property were smashed, with a direct loss valued at some 60,000 yuan; in addition, 28 (some said 30) motor vehicles of various categories were wrecked.

"We Are the Offspring of Liangshan" [legendary heroes in "The Water Margin"] [subhead]

Shandong people are known for their toughness. In the course of the riot, someone shouted: "We are the offspring of Liangshan. It is time for us to rebel!"

Of course, we cannot draw the conclusion from this individual slogan surfacing during the mass riot that it was evidence that the tens of thousands of simple peasants involved aimed to overthrow the CPC leadership. But was the root cause of the "27 May" incident simply the "work style of some people" as stated in the relevant report? At a meeting reviewing the lessons of the 27 May mass riot a person from the law circles said that such a leadership mistake in production in the course of reform and opening up would inevitably lead to a riot, if not to the garlic incident!

The question is why has RENMIN RIBAO always put the root cause of the riot under the heading of "bureaucratism." On its 4 August 1987 issue RENMIN RIBAO carried in its front page a report under the headline: "Cangshan Leading Cadres Become More Down-to-Earth in Their Style and Draw Lessons from the Garlic Incident." The report talked at full length about cadres going up to mountainous areas and down to the rural areas in the fight against the flood, "to the satisfaction of the peasants" and so forth, to create a somewhat happy ending to the incident.

This reporter believes that one should not stop at reviewing the matter as pacifying a mass riot, but elevate one's understanding of it as a reaction to some mistakes in reform and opening up, to the effect that the masses have changed from passivity to confrontation.

Regarding the whole nation, panic and commotion resulting from inflation scan burst out at any moment. The new folklore, complaints, and sarcasm popular in society in recent years have gradually lost their roles in giving vent to people's resentments. These are seeking new ways of expression, leading to a situation of frequent outbursts of "accidental" incidents and robbery in various places.

Robbery Has Become a Way of Life [subhead]

Any robbery incident in mass action before the Cultural Revolution would have been regarded as a heinous crime. But today, ordinary people robbing state property is by no means a rare headline in the press.

A press item in May reported that a robbery lasting several days took place at a railway station in the northwest, with mobs robbing goods and materials from freight cars in broad daylight. The "rioters" simply would not listen to the instructions and advice from above, but helped themselves to whatever came to hand. This induced heavy losses for the railway's freight transport. It was reported that the robbery was by no means the first incident.

According to a 4 June NANFANG RIBAO report, several hundred Renhua County peasants swarmed through the Quren Mining Bureau with over 30 tractors to steal coal. The mob went so far as to remove tracks and to demolish workshops. How come? The peasants

demanding a 10 million-yuan compensation from the coal mine for "pollution." Such action was out-and-out robbery. Thus, 2,000 tons of coal were stolen and the coal mine was forced to cease production.

Football Fan Riot Leads to Student Demonstration [subhead]

On 23 May this year, 12 months after the Cangshan incident, the Nanchong football fan riot burst out. This was also a grave mass riot, triggered off by a match between Sichuan and Tianjin in the national youth football league.

The Tianjin team members did not suffer much as a consequence of the riot, in which Sichuan "football fans" "had sought revenge on the Tianjin Team," but the damage resulting from the riot itself was shocking: Two cars and a police van were burnt and smashed, security apparatus was stolen from the public security bureau, and doors and windows wrecked, in addition to over 80 casualties public security and armed police. But the riot did not stop there. The football fan riot immediately triggered off the Nanchong Teachers' College student demonstration the very next day. The students demanded severe punishment for thugs, referring not to the rioters but to the public security men who "had mistakenly beaten up and apprehended" 12 college students. That was a touch-and-go regarding campus unrest. Nanchong City leadership managed to repair the difficult situation only after tremendous efforts.

Although there were some differences in time, place, and cause between the above-mentioned mass riots and the recent Beijing University student demonstrations and big-character posters appearing on the campus in early June this year, they shared something in common:

First, all sought open methods in collective actions to appeal to society to expand the effects of the incidents, to draw the attention at home and overseas as well as of leading members in the top echelon.

Second, in the development of mass riots, the masses' slogans and demands often deviated from the incidents themselves. In fact all incidents triggered off the underlying resentment of the masses against the absence of political democracy, special privileges, corruption, and incompetence of bureaucrats, and their demand to break through the ban on demonstration as well as for citizen rights.

Third, in many of the mass riots, acts of violence characterized by smashing, looting, and ruining and burning cars were involved. Such acts of violence might cost the participants criminal penalties, but obviously, they did not care much about the consequences. This has shown that the enmity in their hearts has reached the point being vented through violence. While the targets of their violence have been government organs, county

party committee buildings, and public security bureaus. This has also demonstrated how far developed is the antagonism between the people and the government.

And fourth, compared with the past, Chinese authorities have shown some restraint in exercising the law, suppressing and pacifying the above-mentioned riots of every description, while doing their best to enlighten the masses instead of resorting to force. Perhaps the CPC has made some progress in the legal system or the authorities were worried that excessive suppression might bring about still greater activities of resistance.

Crisis: From Passivity to Confrontation [subhead]

The 10 years of calamities during the Cultural Revolution resulted in people becoming tired and disgusted with political campaigns, fearful of turmoil, and hopeful for an environment of stability and rest. Therefore, with the deepening of reform, people were disappointed when they found that: It would be difficult to improve the conditions of democracy through reform; they must bear increasingly greater pressure from inflation; and that the long desired liberty, democracy, and political reform were merely empty words. When they saw the deterioration of the social atmosphere in which bureaucrats and party officials have abused their power, while dereliction, extortion of bribes, corruption, and degeneration are becoming ever more serious among them. Their indifference toward politics has developed to resentment against mistakes in reform. Such a confidence crisis has finally developed to the point of eruption whereby people must resort to violence to give vent to their grudges. When the Chinese people, who are characterized by their obedience and endurance, spontaneously "resist the powers-that-be" in mass action, the deep crisis existing in Chinese society becomes crystal clear. Do the mass riots in various scales and degrees and occurring happening in various places in China serve as a sign for the beginning of a new period of turmoil? Such a judgment might be too pessimistic. However, even the CPC leaders cannot deny that "risks are many" on the road to reform in Chinese society, and the grave crises of people changing from passivity to confrontation. They even believe that China's reform is at a "life or death" critical juncture, and that they must run the risks and "meet difficulties head on." The CPC is really facing a severe test.

Establishment of Personnel Exam System Urged HK0207070788 Beijing RENMIN RIBAO in Chinese 16 Jun 88 p 5

[Article by Liu Zepeng (0491 3419 1756): "Major Changes in the Personnel Management System—A Few Points To Be Considered Regarding the Establishment of the Examination System for Personnel of Various Categories"]

[Text] As the tasks set at the 13th CPC National Congress are being fulfilled, the reform of the cadre and personnel system is steadily gaining in depth. Now, in

rationally altering the single category of "state cadre," in changing the present centralized and unified management system, and in establishing a state public service system, a party organ personnel system, an enterprise personnel system, and a system of the management of various categories of personnel on the basis of the principle of category-by-category scientific management, we must solve the following problem without delay: We should implement a scientific examination system, strictly control the recruitment of various types of personnel, particularly the recruitment of personnel for party and government organs, try to make the selection and promotion of cadres more public, more open, and more democratic, and introduce competition mechanisms into the management of various types of personnel, in order to help talented people gain recognition and to effectively overcome the unhealthy practices in the employment of personnel.

The establishment and implementation of an examination system in personnel management is a new thing in the context of the reforms. Confined by the current systems and traditional ideas, some comrades look at and understand examinations very differently and, inevitably, have some apprehensions and worries. Can we employ cadres and select talented people through public examinations? Does the establishment of an examination system mean that we will mechanically copy from Western civil service systems? Will this cost us the good traditions formed over the past few decades in the selection of cadres? And is all this in keeping with the socialist cadre management principles? We must first thoroughly and objectively study and analyze these questions before we can work out the correct answers to them.

From "Bole's Way of Judging Horses" To "Open Horse Races" [subhead]

Bole's way of selecting horses that can cover a thousand li a day has remained a popular topic for discussion for quite a long time. People simply hope for more smart Boles. However, after practicing this for some time, people have discovered a simple truth: "Horses that can cover a thousand li a day" are actually in a passive position, waiting to be chosen and discovered. On the other hand, many talented people still find it difficult to make a hit and, in the recruitment of personnel, unhealthy practices easily develop but cannot be easily overcome. All this has compelled people to seriously reconsider the traditional management system and management methods.

The management systems in any countries could not have been established arbitrarily and they do not exist in isolation. They are closely related to and are interdependent with these countries' economic and political systems. Following the founding of the country, the tasks of socialist transformation and socialist construction were set forth and we basically established a highly centralized political structure and a highly centralized economic

structure, which were commensurate with our productive forces at that time, and a corresponding personnel management system. Characteristically, these two structures and this system featured highly centralized and unified management of all types of cadres at all levels by party committees and their organization departments, uniform management methods, and the application of the unified control and assignment system, which was characterized by a high degree of centralization, in the recruitment, selection, and promotion of cadres. One can say that these structures and this system have been a continuation of the party's cadre system in its history as well as a product of a specific social development strategy and of our choice of the economic and political structures. These structures and this system have played an important historical role. Particularly during our economic recovery and industrialization movement, thanks to its political cohesive force and its great administrative capacity for deploying manpower and resources, we were able to effectively solve the problem of not having enough cadres, thus ensuring the completion of the state's key construction projects and the fulfillment of various political tasks. Objectively, they also provided many employment opportunities for society. At that time, these structures and the management systems already showed their defects and disadvantages. However, the productive forces then were rather backward, the task of modernization was not on our agenda, social division of labor was not quite elaborate, there was only a limited number of cadres and they were still young then, and we did not stress quality too much. Therefore, these defects and disadvantages did not fundamentally affect the rational and orderly character and suitability of our personnel management system.

Since the 3d Plenary Session of the 11th CPC Central Committee, as a result of the shift of the focuses of the work of the party, our modernization tasks have become greater in number and more complicated and our planned commodity economy has been developing rapidly. We are therefore required to reform the party and state leadership systems, to separate the party from the government and the government from the enterprises, to promote socialist democracy, to strengthen the legal system, and to carry out other reforms relating to the superstructure, in order to adapt ourselves to the development of modern productive forces and the drastically changed economic basis. Now, the traditional personnel management system, with their defects and disadvantages in acute conflict with reform realities, now faces grim challenges. The orderly and systematic management system which took form several decades ago has now become a "bottleneck" in our advance.

How can we solve this problem fundamentally? There is only one solution: We should count on the reforms, grope for laws, blaze a new trail, introduce new methods, and establish a new order, in order to make our personnel management democratic, scientific, and institutionalized. Proceeding from this idea, the 13th CPC National Congress proposed a series of important measures,

including the category-by-category management of cadres, the establishment of a public service system and the management of personnel of various categories, and the introduction of competition mechanisms into the management of personnel of various categories. Among these reform measures, the establishment of a comprehensive, systematic, and scientific examination system is of crucial importance to the reform of our personnel management system. The current reforms require us to organize "open horse races," so that talented people can distinguish themselves in competition. This is also an inevitability in the development of history.

From the Civil Examination System in Ancient Times to Western Civil Service Systems [subhead]

The examination system is not an invention of ours in modern times. Nor is it something created by Western capitalist countries. During the Sui and Tang Dynasties, a civil examination system, under which officials were selected through examinations, was introduced. Before these two dynasties, feudal rulers selected their officials mainly from people recommended by a few senior bureaucrats and officials who were empowered to do so. These bureaucrats and officials had different recommendation criteria and they very often had different opinions, whether favorable or unfavorable, on the same persons. The civil examination system could remedy this defect somewhat and it helped feudal rulers enlist the services of talented people and maintain social stability and their rule. One of the main defects of the civil examination system was the things on which people were examined. During the Ming and Qing Dynasties, candidates were required to write the so-called 8-legged essays, which magnified this defect of the civil examination system. This type of essay confined people's thinking, prevented them from giving full play to their talents and abilities, and had destroyed many talented people and led to very undesirable consequences. However, this examination system had been practiced for 1,300 years. One can see that there was something scientific in it.

Western civil service systems were formed very much under the influence of the civil examination system in ancient China. Dr Sun Yat-sen said: "The examination systems of most countries are based on the British model. However, if we trace the origins of the British examination system, we will find that the British had learned from our system." From the history of the formation of the British and U.S. civil service systems, one can see that the capitalist system was at first mainly one under which "political parties shared benefits." Under this system, political parties made their trusted members officials and rewarded people who had served them well with lucrative posts. As a result, administrative efficiency was low, and the officialdom was corrupt, and members of the ruling class attacked each other because of the uneven distribution of benefits.

By mid-19th century, insightful people in Britain and the United States had begun to introduce China's civil examination system to the West. Thanks to the effects of

various factors, examinations had finally become the corner stone of Western civil service systems. Open and competitive examinations have contributed to the development and stabilization of the civil service force. They served to uphold the political situation which was characterized by competition between bourgeois parties and they were in keeping with capitalist socialized mass production and the development of commodity economy. Through their practice over the past 100 years or so, Western countries have turned the examination system into a key to perfecting and strengthening their civil service systems. They are trying to make it more scientific and more perfect by constantly improving on it.

Examinations as a way and a means of testing people have only very limited significance and usefulness. However, as soon as they have become a system and a competition mechanism functioning in an orderly and rule-governed manner in personnel management, their significance and usefulness will then become far greater than that of examinations as a way and a means of testing people and they will produce important effects on the development and stability of the personnel management and political systems.

We can at least discern the following two points of enlightenment from the formation and development of the civil examination system in ancient times and of the civil service system in the West: First, there is a need for competition in the selection of talented people. This competition, however, should be open, equal, orderly, and rule-governed. And second, as a scientific management method, the examination system is not necessarily related to the nature of a particular class. It is not peculiar to a particular class, a particular society, or a particular country. It is the common historical wealth of mankind and can serve a particular ruling class or some particular political purposes. We should, by learning eclectically from ancient, modern, Chinese, and foreign practices, establish a socialist examination system with Chinese characteristics, in order to serve China's modernization cause.

Establish an Examination System with Chinese Characteristics [subhead]

As an important modern personnel management method for selecting cadres, the examination system has two major characteristics: First, it is objective and fair. And second, it provides well-defined and uniform standards. It can provide equal opportunities and satisfy the community's demand for fairness, thus producing important social effects [she hui xiao guo 4357 2585 2400 2654]. On the other hand, it also can widen our field of vision as far as the selection of talented people is concerned and introduce more exactitude into the selection and employment of personnel. All this not only helps us control the recruitment of personnel of all categories and improve the quality of our cadres. It can also help us select and appoint the worthy and the competent according to the different ways in which different types of

talented people become mature. Thus, this examination system will become a link that will set in motion the reform of the personnel management system and start the establishment of the system of category-by-category management of cadres. It will become an important way to introduce competition mechanisms into the management of various categories of personnel as well as a starting point for making our personnel system democratic and scientific and for turning it into part of the legal system.

What kind of an examination system, then, should we establish? I think that on the one hand, we should begin with the problems of talented people having difficulty earning recognition and of the unhealthy practices in the recruitment and employment of personnel and, on the other, consider things on the basis of the national condition that China is still at the initial stage of socialism and try to make our system feasible and commensurate with the country's level of scientific and cultural development and management level. Thus, in establishing an examination system with Chinese characteristics, it is necessary to focus our attention on the following problems:

First, the examination system must be based on the principle of "making the cadres more revolutionary, younger in average age, better educated, and more professionally competent." A political party ruling a country on behalf of its ruling class should have a firm grasp of the criteria according to which jobs are assigned to people and participate in the formulation of rigorous qualifications verification standards and examination standards and in the supervision of examinations. Examinations administered for the employment and assignment of cadres should be comprehensive all-round examinations. It is necessary to accurately prescribe the examination subjects for candidates from different trades and on different levels, to accurately define the eligibility of candidates, and to accurately prescribe the syllabi. Roughly speaking, these examinations should include the following three things: First, an examination of qualifications (including political performance, education, professional competence, attitude toward work and study, moral quality, age, and health condition), the purpose of which is to have an idea of how the community and other objectively judge and know the applicants; second, written or oral examinations or other means, the purpose of which is to test and ascertain the candidates' job-related basic knowledge, basic skills, and development potentials; and third, a practical assessment and an appraisal of achievements, the purpose of which is to examine and evaluate the amounts of labor the candidates have contributed to society. Any one of these three things may be emphasized depending on the kind of candidates taking the examinations. However, they cannot be divorced from each other and none of them should be stressed at the expense of the other two. Otherwise, the principle of employing people with both political integrity and ability will become a mere formality.

The examination system must also be based on the principle of category-by-category management. We should employ people only if there is work to do and try to make examinations consistent with employment. "Examinations" are a means. "Employment" is the end. The establishment and perfection of the examination system should be simultaneous and complementary with the classification of posts and with the perfection of this classification. The state, however, should formulate personnel recruitment plans in the light of social development and regulate demand through the procedures prescribed by law. The purpose of examinations is to implement the state's personnel recruitment plan and to make the employment of personnel rational. The current reforms should be centered on the establishment of a public service system. Thus, it is first necessary to establish a civil service examination system. The establishment of the public service system takes time. Therefore, an urgent task for the time being is to first establish a low-level recruitment and examination system and to properly control the recruitment of personnel. This will immediately produce important social effects and will provide good conditions for the conversion of the present staffs of administration organs into members of the public service.

Third, the examination system must be an open system for the selection of talented people on a broad democratic basis. All qualified citizens have the right to participate in examinations and all those who have been selected through examinations have the right to be assigned to the state's public posts. Examination should be for the society as a whole, be open, equal, and fair, and be supervised by the party and the masses. It is necessary to put an end to the closeness, mystification, and handicraft methods [as published] characteristic of the selection of cadres in the past and to make personnel management more open, more public, and more democratic. Recruitment examination plans, the procedures, and the examination results should all be made known to the public. However, plans, procedures, and results of higher-level examinations, such as promotion and transfer examinations, should have limited accessibility. In the verification of qualifications, it is necessary to make our standards known to the public and to set up authoritative verification bodies. Although we cannot let the public know all the verification details, it is necessary to set up supervisory and complaint-handling bodies, in order to make competition fair and to maintain its social credibility.

Fourth, competition under the examination system must be orderly and strictly in accordance with prescribed procedures. Examinations should be administered according to fair and well-defined objective criteria and strictly in accordance with the prescribed procedures. First, it is necessary to formulate and perfect detailed rules and regulations in accordance with legislative procedures. Second, it is necessary to set up authoritative examination leadership organs to be responsible for directing examinations and formulating examination

plans. And third, it is necessary to set up administrative organs to administer examinations. These organs can be incorporated into personnel departments. And fourth, it is necessary to set up supervisory organs, and these organs can be incorporated into censorial departments.

And fifth, the examination system and examination questions, subjects, and methods should be subject to scientific scrutiny. Examinations questions and methods should be based on job requirements in different departments, at different levels, and at different posts and be constantly improved. Generally speaking, low-level examinations can be more easily administered and the relationship between the results of these examination and employment is more close and more direct. However, it is more difficult to administer high-level examinations and the relationship between the results of these examinations and employment is more complicated and more indirect. In addition, performance appraisals and experience should carry more weight as far as high-level assignments are concerned. Thus, the establishment and application of the examination system should begin on lower levels. This means that we should start with personnel recruitment examinations.

In addition, in establishing the examination system it is necessary to pay close attention to another problem. We should think correctly, but not think of the examination system in absolute terms or as a panacea. Examinations as a method for judging people have obvious limitations. Marx said: "Human nature is not something abstract in the possession of individuals. In reality, it is the sum total of all social relations." In a sophisticated society, it is difficult for people to make standardized judgments by fixed means or by resorting to quantified standards. To a certain extent, the form of the examination system has greater positive significance and can produce greater social effects than its substance as far as personnel management is concerned. In addition, it is difficult for relatively fixed examination questions and subjects and methods to completely meet the changing needs of modern society and they inevitably come with some negative factors. However, this should not prevent us from realizing the importance of and the urgent need for the examination system. So long as we try to comprehensively and soberly understand it from the very beginning, we will be able to give full play to its positive role and most effectively contain the negative factors. It is necessary to pay close attention to advance preparations, such as efforts to bring about ideological and conceptual changes, feasibility studies, the formulation and examination of plans, and efforts to rigorously define the applicability of examinations and to the question of the coordination and consistency between the examinations system and other management systems such as the job classification system, the responsibility system, the democratic supervision system, and the performance appraisal system. In this way, we can effectively remedy the limitations of examinations and make the examination system work normally.

Nuclear Industry Turns to Economic Applications
OW0407060688 Beijing XINHUA in English
0534 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—The development of nuclear power, not arms, is the major task of China's newly formed corporation of nuclear industry, its president Jiang Xinxiong said in an exclusive interview with XINHUA today.

Jiang said that China's nuclear industry, as in developed countries, arose out of national defense needs.

And while those have been fulfilled, initially under difficult circumstances, the industry has turned more and more to economic applications of nuclear energy, especially since 1978 when economic reforms began in China.

Two nuclear power plants are now under construction.

The first stage of the Qinshan Nuclear Power Plant in east China's Zhejiang Province or near Shanghai, which has a designed generating capacity of 300 megawatts, designed and built by China, is expected to go into operation in 1990. The second stage, involving two 600-mw units, is being prepared.

The other plant, at Daya Bay in south China's Guangdong Province, involves two 900-mw units. It is a Sino-foreign joint venture.

Jiang said the Chernobyl accident gave everyone in the industry a scare and cause to think, but it did not change China's determination or resolve to develop nuclear power. The advantages of nuclear power were too attractive and the demand for energy in the nation, too great.

He said more than 400 nuclear plants, with a total installed generating capacity of 300,000-mw, are in operation worldwide. In some countries, nuclear power makes up 50 percent of the power output. But in China, nuclear power is still in its infancy.

Jiang noted Energy Minister Huang Yicheng has said that by early next century, nuclear power is a must for China since continued reliance on coal by the energy-short coastal cities would create transportation headaches as well as severe air pollution.

He said while relying on itself, China also hopes to cooperate with foreign firms in the industry on the basis of equality and mutual benefit.

Jiang said safety and quality have to come first. The National Nuclear Safety Administration, established in 1986, is responsible for examining and supervising the location, design, quality and safety of nuclear plants.

Navy Exercise Under Nuclear War Conditions
HK0407081888 Beijing RENMIN RIBAO in Chinese
2 Jul 88 p 4

[Dispatch by RENMIN RIBAO reporter Wu Xuelin (0702 1331 2651) and XINHUA reporter Cao Guoqiang (2580 0948 1730): "Naval Base Conducts Defensive Exercise Under the Conditions of Nuclear War"]

[Text] One day in late June, with three red signal flares streaking across the sky and a huge simulated mushroom cloud rising high into the air at a certain naval base in eastern China, a defensive exercise conducted by a naval base under nuclear conditions began. In the twinkling of an eye, aircraft of the Blue Army whizzed through the sky dropping shells and filling the air with gunpowder smoke. The roar of guns could be heard as the naval vessels of the Red Army returned fire from the base. The sailors in protective clothing bravely launched a counterattack. The sky, water surface, and land presented magnificent scenes of modern air-sea warfare.

The exercise lasted two hours. In an attempt to weaken our main force and destroy the defensive system of our base, the "enemy" dispatched long-range air units to launch a sudden nuclear attack against our escort vessels, submarine chasers, and port facilities. Our naval vessels and artillery took strict precautions against the attack and organized effective counterattack. The anti-chemical squads took measures to protect the port, and the medical teams and repair crews rushed to heal the wounded and repair the damaged vessels and facilities. After the live exercise, senior officers and organs of the base conducted theoretical training and chart study on launching defensive wars under nuclear conditions. The advanced technological means of microcomputers and large screen projection was applied to vividly present the fast changing situation of the "battlefield" to the personages watching the exercise.

It has been reported that this exercise is the first of its kind conducted by the Navy. The purpose is to study and discuss the characteristics and rules of defensive war under nuclear conditions and to train and improve the officers' ability to command the troops, the naval and artillery units' ability to fight defensive wars, and the ability of medical teams and repair crews to deal with such conditions.

Chen Mingshan, deputy commander of the Navy; Nie Kuiju, commander of the East China Sea Fleet; and responsible comrades of the General Staff Headquarters, Anti-Chemical Warfare Units, some military regions, navy organs, and military academies observed the exercise.

To strengthen the building of navy modernization, Chen Mingshan told the reporters, it is necessary to place education and training in a strategic position and to further increase our understanding of conducting training on fighting defensive wars under nuclear conditions. We should pay close attention to training and exercise of

senior officers and organs under nuclear conditions so as to increase their ability to command and protect the troops. We must also conduct training to deal with nuclear, chemical, and biological weapons; increase the navy's ability to fight wars and protect themselves under nuclear conditions; pay close attention to the building of anti-chemical warfare squads; enhance the ability of medical teams and repair crews; and carry out large-scale academic research on the navy fighting defensive wars under nuclear conditions.

Rocket Booster To Loft Meteorological Satellite
OW0207203688 Beijing XINHUA in English
1501 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—China is soon to launch a new rocket to send a meteorological satellite into the solar-synchronous orbit: the "PEOPLE'S DAILY" reported in its overseas edition today.

According to the paper, the No 4 "Long March" rocket, the most powerful in the country's successful series of the "Long March" rockets, with a propelling power of 300 tons, is able to put a payload of 2.5 tons into the orbit.

Over the past years, China's scientists have worked hard to modify the series of the "Long March" rockets and offer carrier service for foreign clients.

Asked about the working condition of the No 3 rocket which has already carried three satellites into orbit, Chen Shouchun, chief engineer of the Great Wall Industrial Corporation, said that scientists applied super-low-temperature technology to the motor used on the No 3 rocket. "So far the technology is applied only in a few countries," Chen said, adding that the rocket enjoys a high credibility at home and abroad.

Textile Industry Expands Exports
HK0407070088 Beijing CHINA DAILY in English
4 Jul 88 p 2

[By staff reporter Chen Weihua]

[Text] The China National Textile Import and Export Corporation (CNTIEC) is steadily becoming an international, multi-functional organization in its drive to boost Chinese exports.

Zhou Yunzhong, the president, said that in addition to its focus on the textile and garment trade, CNTIEC also has started handling technology transfers, leasing, the processing industry, compensation trade, domestic trade, transport, insurance, consultant services, financing and advertising.

To open up foreign markets, Zhou said CNTIEC is going to set up more overseas enterprises and joint ventures. It now has 22 companies and representative offices abroad and has recently set up three overseas joint ventures.

Zhou said his corporation will make the best use of its network of 4,000 competent, prestigious overseas agents it has developed over the last 30 years.

About two-thirds of CNTIEC's exports go to its six biggest markets—Hong Kong, the United States, Japan, the European Economic Community, Canada and Australia.

On the domestic front, Zhou said CNTIEC plans to set up more export-oriented production bases to make more quality products. It has invested or bought shares in 60 export-oriented textile and garment factories all over China. It has put \$3 million and 57 million yuan into the technological renovation of these factories over the last nine years.

In the first five months of this year, the combined export value of China's textile trade corporations—previously under CNTIEC but now independent after foreign trade reform six months ago—reached \$3.12 billion, 50 percent higher than in the same period last year.

Exports of cotton, cotton yarn, cotton polyester fibre yarn and cotton polyester fibre grey, which CNTIEC still controls through other corporations, were worth \$1,006 billion, a CNTIEC official said.

She said exports of garments increased 21 percent in the first five months of this year over the same period last year to reach \$930 million.

CNTIEC still serves as the agent or joint manager with other local corporations to handle government trade with the Soviet Union and East European countries.

Under the new independent policy, CNTIEC still will help other corporations control the raw material supply in coastal and inland cities and help them meet their foreign exchange earning targets this year.

Zhou said his corporation is going in the direction of group management. In the last few years, textile enterprise groups in China have grown rapidly, to as many as 120.

Most of these enterprise groups are distributed in coastal and inland cities where the textile industry is comparatively developed and economic reforms are being conducted actively.

Article Views 'Heavy Burden' of Price Subsidies
HK0207054188 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1143 GMT 1 Jul 88

[Article by Hao Si (6787 1835): "Price Subsidies—A Heavy Burden for the Chinese Government"]

[Text] Hong Kong, 1 Jul (ZHONGGUO TONGXUN SHE)—Beijing and other places recently adjusted upward the prices of four nonstaple foods. In order to assuage the masses' dissatisfaction, the government has

simultaneously paid a certain amount of price subsidies to all staff and workers. However, many housewives have added things up and still hold that these subsidies are too low and cannot make up for the price increases.

These subsidies have become a big burden on the Chinese Government. The government has to pay a subsidy of 0.34 yuan for every kilogram of grain consumed by urban residents; a subsidy of 1.60 yuan for every kilogram of peanut oil they consume; and subsidies for the meat, milk, eggs, and vegetables they eat, the cotton cloth they wear, the coal they burn, and the soap they use.

In 1978 the government spent 5.56 billion subsidizing the differentials between the procurement and sales prices of agricultural products. By 1984 this figure had risen to over 32 billion yuan. During those 6 years, financial revenue rose by 34 percent, while price subsidies increased by as much as 480 percent. Nearly 70 percent of the increased financial revenue was spent on price subsidies. In 1987, the nation's price subsidy figure rose to over 50 billion yuan.

In fact, the government is subsidizing medical and housing costs as well as the prices of agricultural products. In 1987 public spending on medical care totalled nearly 10 billion yuan. From 1980 to 1986, the state invested over 100 billion yuan in housing for staff and workers of state-owned units, and the rent recovered totalled only about 2 percent of the investment. This was insufficient even to cover routine maintenance, much less recover construction costs. The government has to pay a subsidy of over 2 yuan for every square foot of housing occupied by staff and workers.

The irrationality of the price setup has become a tiger barring the way to the further development of China's economy. That China's leaders are willing to rush into their resolve to get through this pass shows that the price setup has reached a state where reform is imperative. However, to change a long-standing situation in which prices were fixed and controlled by the government and to lift price restrictions and have price fluctuations determined by the markets is easier said than done. In a situation where there is no great abundance of goods and inflation has not yet been brought under control, lifting price restrictions is bound to lead to soaring prices which will cause dissatisfaction among the people. Thus the Chinese Government has no choice but to use subsidies. It appears that subsidies constitute a burden that the Chinese authorities would like to throw off but cannot.

However, price subsidies can at the most only play a temporary role in easing the minds of the masses and are a kind of expediency. The most important thing for ensuring the smooth progress of price reforms is to curb inflation, and the key to this lies in cutting capital construction investment and institutional purchasing power. However, for many years the Chinese authorities have had minimal success in controlling capital construction investment, and this investment remains too

high; and institutional purchasing power has increased in recent years instead of declining. As far as currency circulation is concerned, in 1987 and 1988 cash in circulation has increased at an average annual rate of 18.6 percent, and it appears that each year there is more currency in circulation than planned. The increase in commodity supplies fails to keep up not only with demand but also with the increased cash in circulation, thus exerting tremendous pressure for price increases. If the Chinese authorities are unable to eliminate the inflation pressure within a short time, price reform will encounter very great obstacles and may even suffer setbacks.

GUANGMING RIBAO on Rising Prices
HK0507052288 Beijing GUANGMING RIBAO
in Chinese 25 Jun 88 p 3

[Article by Ding Zhitian (0002 1807 3944): "The Cause of Price Rises and Taxation Countermeasures"]

[Text] Recently there have been many articles analyzing the cause of price rises and suggesting countermeasures to keep them down. In the analyses of the causes I think there has been a lack of analysis of production costs. The cost-push of low-energy industry constitutes the essential question in the cause of price rises. To keep down the rising prices, the only way out is to effect a permanent cure, of which the taxation countermeasure neglected by the public merits attention.

First, according to an analysis of production development, the value scissors gap between low-energy and high-energy industries has continuously been widened. The recent development of China's agriculture, animal husbandry, and fisheries has been based on the release of productive forces restricted over the years. Moreover, since the drastic readjustment of the prices of farm and sideline produce and implementation of the corresponding economic policy, the growth of industrial production has exceeded that of agriculture, animal husbandry, and fisheries. This has further widened the scissors difference in the product value between low-energy and high-energy trades in industry and agriculture. Objectively, because of production development the people's consumption has constantly increased and they have a great demand for low-energy industrial produce including agriculture, livestock, fishery products, and raw materials. They also need more and better products from low-energy industry (including the growth of demand of low-energy industry itself). However, the low-energy production capacity is limited, the production cost of its increased output is rising progressively, and its value basis is apparently different from the original products. Therefore, on the average level the cost of low-energy industrial products is tending to increase while investment return has declined.

Second, according to an analysis of the comparative costs between departments, the industrial departments with superior productive forces are in a favorable position in exchange value and it is quite possible for them to

reduce their production costs. They can absorb the shock in prices caused by the rise in low-energy industry costs and also offer some funds to continue to maintain their technological and production superiority. In comparison, low-energy industry is in an inferior position regarding production costs, impelling the labor productive forces to shift to high-energy industry and thus resulting in the deterioration of the technological conditions of low-energy industry and stimulating the rise in production costs of low-energy departments.

Third, according to an analysis of labor compensation, the scope of daily necessities is also expanding with the rise in consumption level. This is usually concealed in high-energy industry by technological progress and reduction in production costs. With regard to low-energy industry however, it can only increase production costs and expand the basis of its exchange value. Hence from an overall point of view, namely an analysis of scissors difference, the rise in price and production costs of low-energy industrial products conforms to the law of value. The difference in value changes caused by the imbalance of low-energy and high-energy labor productive forces has stimulated the current price fluctuations and price rises in low-energy industrial products.

To keep the rising prices under control, the "stabilizing prices with taxation" countermeasure is feasible.

1. The establishment of a supplementary price tax. The seller is the one who directly benefits from the price rises. The consumers of capital goods and the state are those who suffer in the long run. The loss to consumers is reflected in the voice of the masses, while the loss to the state is reflected in financial deficits and eventually in the vicious cycle of inflation and price rises. Hence, if a supplementary price tax is established and imposed on the income earned by the seller from the price rises, and if progressive tax (the rate ranging from 20 to 70 percent) is imposed on prices exceeding market and planned prices, the state can deduct the portion of its loss directly from the profiteer, keep the prices down, and mitigate and eventually put an end to the vicious cycle of price rises and chain reaction. 2. Remit taxes on low-energy industrial products and increase taxes on high-energy industrial products. The different basic changes in the exchange value of low-energy and high-energy industrial products constitute the scissors difference in the exchange value of products. To keep price rises and fluctuations under control it is first necessary to narrow the price scissors. A feasible method is to remit tax on some low-energy industry products and increase tax on some high-energy industry products to promote the steady development of the value basis and the flow of talented people and technology.

3. Use the income from a supplementary price tax and additional taxes imposed on high-energy industry to support the development of low-energy industry. The fundamental measure in keeping prices down is to develop productive forces, particularly the productive

forces of low-energy industry, and change the unfavorable position in production costs. It would be impossible for low-energy industry to totally rely on its accumulation to provide the funds it require. Therefore it is necessary to use income from supplementary price tax and additional tax imposed on high-energy industry to support the development of low-energy industry. The United States and other Western countries have had such experiences in the past. In this regard, instead of having increasing investment the proportion is decreasing relatively in China. Moreover, the practice of occupying the resources of low-energy industry are on the rise. All this upsets the public.

In a word, we should pay due attention to the analysis of production costs or value basis which constitute the cause of price rises, and adopt readjustment measures and taxation countermeasures.

Daily Discusses Distribution According to Work
HK0507074588 Beijing GUANGMING RIBAO
in Chinese 25 Jul 88 p 3

[Article by Wei Xinghua (5898 5281 5478): "Probing Diverse Forms of Distribution With Distribution According to Work Remaining Predominant"]

[Text] Abstract: The concrete economic conditions in the initial stage of socialism determine that distribution according to work is not the only, but is the principal, form of distribution. This has two meanings: 1) Distribution according to work only exists in the economy in which public ownership plays a dominant role; other forms of distribution are carried out in the non-public sector. 2) Even in the public sector of the economy, distribution according to work is not effected completely and unitarily because there are incomes not distributed according to work. [end abstract]

The report to the 13th party congress pointed out: In the initial stage of socialism we "should adopt diverse forms of distribution with distribution according to work remaining predominant." The reason for giving the principle of distribution according to work a predominant role is that public ownership remains predominant in China's ownership pattern and our society is socialist in nature. It is wrong to use the commodity economy to negate the concept of distribution according to work. If the principle of distribution according to work is negated, what principle of distribution should we then implement? Since it is not feasible to engage in egalitarianism, we can only effect distribution according to funds, assets, capital, and labor value. Are there still differences between the socialist, capitalist, and individual economic forms of distribution? In what other way is the decisive role of the socialist mode of production in the socialist form of distribution manifested? If we negate distribution according to work on the grounds that the conditions envisaged by Marx for implementing distribution according to work are not entirely the same as the practical conditions in our country, by the same

logic we shall have to negate the socialist system itself. Although the socialist system envisaged by Marx is also different in many ways from the socialist system practiced in our country, the conditions set by Marx for the implementing the principle of distribution according to work are in fact the same as those he set for the socialist system. Planned economy is not antagonistic to commodity economy and neither is distribution according to work antagonistic to commodity economy. If we set them against each other either from the positive or negative aspect we shall still be unable to get rid of the traditional idea of setting the socialist system against the commodity economy.

The concrete economic conditions in the initial stage of socialism determine that we should uphold the principle of distribution according to work. However, distribution according to work is not the only one but it is the principal form of distribution. Moreover, the principle of distribution according to work is neither perfect nor mature. The predominance of distribution according to work has two meanings: 1) Distribution according to work exists only in the economy in which public ownership occupies a predominant role; that is to say, in the economy in which the socialist economy occupies a dominant role. Other forms of distributions are implemented in the non-socialist economy, which serves as a supplement to the socialist public-owned economy. 2) Even in the socialist public sector, distribution according to work is not effected completely and unitarily because there are also incomes not distributed according to work. Moreover, due to the existence of commodity economy and diverse forms of operations, the form of distribution according to work is also different from that envisaged by Marx.

In China there is a lot of individual economy. Under the present conditions in China, the individual economy as an economic form based on small private ownership is a type of small commodity economy. Let us set aside for the time being the circumstances in which a small number of apprentices and helpers are employed in the individual economy. Even if a self-employed producer relies exclusively on his own labor or the labor of his family members to produce commodities, his economic income is that of self-employed labor and is not tantamount to distribution according to work. Otherwise, the principle of distribution according to work was implemented long ago in the small commodity economy of the exploiting system and society. In the small commodity economy one's personal income does not entirely depend on the conditions of one's labor. It also depends on the quantity and quality of the means of production owned or applied, as well as one's operational level and market opportunity. One does not possess other people's labor. In this sense, one's personal income is one's labor income. This is labor income in a broad sense. This is because one takes advantage of the favorable conditions in the means of production and the favorable market opportunity to realize more value through one's own labor. But this only means that individual labor has been

transformed into a larger amount of socially necessary labor. Therefore, one gets more value through one's own labor. Conversely, even if a producer with relatively poor production means uses the same or even more labor, this only means that less labor income has been achieved by less socially necessary labor. Therefore, even if they are the same in terms of labor conditions, personal incomes will be vastly different if the conditions of their means of production are different. We can thus see that the income of a self-employed laborer includes, in addition to his labor income in the narrow sense, income from his assets. Moreover, different operational levels also lead to different incomes. Therefore, there are also operational incomes, including some incomes deriving from opportunity.

Of the diverse economic sectors, there is also the private economy characterized by the relationship of hired labor. Here, the income of an employer also includes some of his income as a manager. Management is also productive labor. Marx pointed out: "Naturally, industrial profits also include some belonging to wages (in places where there are no managers receiving such wages). In a production process, a capitalist appears in his capacity as a labor manager and commander. In this sense, a capitalist plays a positive role in the labor process.... This labor, which is combined with exploitation (this labor can also be transferred to a manager) is, like the labor of a wage worker, a type of labor added to product value" ("Selected Works of Marx and Engels," Vol 26, pp 550-551). However, in the private economy, the labor income of an employer who serves as a labor manager and commander generally accounts for only a small portion of his total income. Most of his income is capital income, namely non-labor income. This non-labor income has the nature of exploitation. Moreover, an employer's profit also includes operational incomes which are outside management income, such as opportunity and risk income. In the private economy an employer's income does not come under the category of distribution according to work. Even the wages of a hired laborer are the value of his labor which he sells as a commodity rather than the income distributed according to work.

In enterprises run exclusively with foreign capital, the distribution relationship of personal income and its characteristics are basically the same as in the private economy discussed above.

Chinese-foreign joint ventures and joint state-private enterprises belong to the state capitalist economic sector. They have a dual socialist and capitalist character and therefore its distribution relationship also has a dual character. Viewed from the relation between the workers and staff members on the one hand and the state on the other, the former are the masters of the state and the holders of public shares. A major portion of the fruit of their labor is owned by the state on behalf of the whole people. In this sense the personal income of the workers and staff members has the character of distribution

according to work. However, viewed from relations between the workers and staff members on the one hand and the capitalist or private side on the other, although their political and social status as masters does not change, economically they were wage workers selling their labor. For this reason their labor income has the character of labor value or price. Therefore, in the state capitalist economy there is a complicated relationship in income distribution. Not only is there labor income (income distributed according to work and income obtained by labor value), but there is also capital income (non-labor income with an exploitative character) and operational income.

Due to the existence of diverse economic sectors it is impossible for distribution according to work to become the only form of distribution throughout society. Moreover, even in the public-owned economy, due to the existence of diverse operational forms, in addition to distribution according to work which remains predominant, there are also some incomes not derived from labor. For example, by purchasing stocks and bonds workers and staff members can receive dividends, bonuses, and interest. This is a non-labor income without an exploitative relationship. Moreover, with the development of economic restructuring, enterprises deal with one another as relatively independent commodity producers and operators and the income of the workers and staff members must be linked with the performances of enterprises. On the other hand, the performance of an enterprise is linked to its operational and management levels and the market conditions. As a result, the income of each worker or staff member depends not only on the amount of labor he or she provides, but also on the operational and management levels, the overall labor productivity of the enterprise, and on the market opportunity. Therefore, the personal income (wages and bonuses) of the workers and staff members will include incomes deriving from operations and opportunity. Furthermore, the accumulated portion obtained in the retained profit should also bring benefit to enterprise workers and staff members. Otherwise, the enterprises do not have the enthusiasm for accumulation. In this way the incremental materialized labor will also become a source for the workers' increased income. This increased personal income is a part of capital income. Moreover, in the commodity economy in the initial stage of socialism, due to the effective use of advanced production means and favorable natural conditions, some of the differential income will be retained by enterprises, some of which will be used to increase the workers' income.

However, if we analyze the above-mentioned non-labor incomes in a concrete way, the problem will be even more complicated. If the workers and staff members purchase stocks and bonds in other enterprises the dividends, bonuses, and bond interest will be completely non-labor income. If the workers and staff members purchase stocks and bonds in their own enterprises, income accrued is the fruit of the labors of enterprise

workers and staff members, but it is not distributed according to labor. As far as the individual worker or staff member is concerned, the fewer stocks and bonds he owns, the greater the proportion of the fruit of his labor contained in his income. If the stocks and bonds he owns are equal to or smaller than the labor portion he gives the enterprise, his income from the stocks and bonds is actually his labor income, but it is not distributed according to labor. On the other hand, the income of those workers and staff members owning lots of stocks and bonds contains little labor fruit, but much non-labor income. As for incremental individual income linked to enterprise operations and management, retained profit accumulation, and the use of advanced production means and favorable natural conditions, if it is not linked to the performance of individual workers or staff members it is an income not distributed according to labor and is even non-labor income. If this income is also distributed according to labor it will come under the category of distribution according to work. In short, in the public-owned economy, if the extra income gained by enterprises through improvement of operations and management, increased accumulation, and more effective use of advanced production means and natural conditions is brought into the orbit of distribution according to work, it will stimulate labor enthusiasm, initiative, and creativity among workers and staff members more effectively than the use of distribution which is not according to work, or the use of non-labor income.

Daily Calls for Establishing New Economic Order
HK0207051388 Beijing JINGJI RIBAO
in Chinese 14 Jun 88 p 3

[Article by Shao Ning (6730 1337): "Establish a New Economic Order That Is in Keeping With Reform and Opening Up"—passages in boldface as published]

[Text] It is necessary to place the building of a new economic order ahead of the reform's general scheme and treat it as an important dependent task, giving it priority. That way, reform will be assured of a smooth development. Of course, in a country such as ours, in which commodity economy is in an undeveloped stage and economic creditization is small, it will be extremely difficult to supervise and regulate thousands of various economic activities, to educate the public to observe and adapt to the new order. But so long as we continue to pursue the development of establishing a new economic order, the longer the problem remains unsolved, the more the old customs and vested interests will get in the way, and the higher the price we will have to pay in the end. Whether out of immediate economic needs or long-term consideration of a smooth development of reform, we should put on the agenda the setting up of a new economic order based on socialist commodity economy.

After 9 long years of economic structural reform, our national strength has become much greater. People's living standards have plainly improved. The entire

national economy has entered an unprecedentedly prosperous and active stage. However, while we take note of the enormous benefit brought by the reform, we should also be able to discern certain unhealthy phenomena in our economic life. Such instances include: fraudulent buying and selling in area of commodity circulation, rampant illegal speculative activities, and production and sales of false brands and even poisonous or hazardous goods. Whether it is product sales, purchase of raw materials, or neighborhood cooperation activities in transport and normal supply of water and electricity—extortions, blackmail, graft and bribery abound, and are getting more serious. Contract binding force is weakening. This is demonstrated, on the one hand, by the increase of contract disputes involving fraudulent contract advance payment, and on the other hand in a low rate of discharge of contracts. There is widespread evasion of supervision. Income distribution is obscure. For many individual entrepreneurs simply do not keep accounts—some collective enterprises or state owned enterprises even doctor theirs, and personal income is not reported. It is difficult for banks and tax authorities to exercise proper economic control. Tax evasion is large, making it difficult for the state to attempt adjustment among personal income disparities. Discipline on policy and finance is lax. Despite prohibitions, there are unjustified financial levies and price increases. Quite a number of enterprises are engaged in pilfering profit funds, indiscriminate distribution of bonuses and issuing false invoices.

All these phenomena mean that in the field of economic activities, there is not yet a set of rules on economic behavior which the majority will voluntarily observe. The energy released by reform has not yet been put onto an appropriate course. To put it topically, we lack an economic order that goes with the socialist commodity economy. At this time, with price and wage reform deepening and in full momentum, it is extremely important to study and discuss how to set up as well as develop an economic order that fits the socialist commodity economy.

When an economic entity, in conducting economic activities, follows certain rules that are determined by the nature of the economic structure, we have economic order. Put another way, economic structure operates within economic order, which supports and ensures the former's normal functioning. This applies to any kind of economic structure.

In planned economy, the authority of planning is the center of economic order. Enterprises organize production according to the state's mandatory planning. Production is subject to the state's centralized regulation and distribution. Enterprise profits are turned over to the state in a specified amount. If this fundamental order is done away with and enterprises are allowed to decide what and how much to produce, the system will not be

able to make connections and the entire planned economic structure will not be functioning normally. Similarly, the socialist commodity economy needs an economic order of its own. For instance, entrepreneurs will enter the market only in fulfillment of certain conditions and will observe the necessary rules and regulations. Their means of operation and competition must not be illegal. They must pay tax and place themselves under economic supervision. Without a normal order, commodity economy will just the same suffer chaos and not function normally.

At a certain stage during reform, the existing economic order cannot catch up with all the changes the reform has initiated. This is unavoidable. But that does not mean we can thereby ignore it. Quite the contrary, we should work to find a positive solution for it. If we allow the problem to grow unchecked, this would only result in drawbacks.

1. An abnormal economic order seriously weakens the state's macroeconomic control power and threatens economic stability. The expansion of consumption funds in recent years has been one of the problems that have plagued our economy. Although the state has emphasized all the time that consumption growth cannot exceed production growth and adopted measures such as "tightening up money supply" and "double tightening," it has not been able to stop inflation. The reason is mass chaos in economic order. The problem appears in the form of a loss of control on total consumption funds, its root, however, lies in disorder at the microeconomic level which manifests itself in many forms of wastage such as abuse of rewards, unjustified financial levies and bribery and corruption.

2. The abnormal economic order has offset all the effects gained by reform, making it more difficult and heightening the risks. One of the purposes of reform is to raise efficiency, to achieve optimum rationalization of resources by applying market mechanism, which, however, will only be neutralized and distorted under an abnormal economic order. It has been hoped that, ever since the beginning of reform, competition mechanism would be brought into existence and allowed full play through the formation of a buyers' market. But the way things have been going, the original purpose was totally defeated. Whenever a buyers' market formed around a commodity, a wave of fake or low quality goods arose to flood the market, resulting in a strange phenomenon that inferior goods were more competitive than "brand-name" products. Also the binding force of economic contracts, which are the pivot of all economic relations in a commodity economy, has weakened. Given its importance, the harm done to the economy by an absence of guarantee on the seriousness and binding force of contracts deserves our consideration.

3. The present economic order has made it extremely difficult to improve the party's workstyle and social behavior as a whole. When everywhere in the economic

order illegal competitions and abuse of power run rampant, nobody can find for himself a "Shangri-la." The present situation is such that when an enterprise wants to keep its raw material supply sources and product outlets from hindrance, and avoid getting in networks of connections, it has to "go with the current". There have been numerous cases where those who conducted their business in accordance with rules and regulations got smitten and isolated. Such an abnormal economic order corrodes, with all its institutional forces, the general mood of the party and society.

Although economic order shows itself in a series of specific rules observed voluntarily by people in their economic behavior, in reality it is a design and an administration system consciously made to meet the needs of economic structure. The formation of economic order means an effective administration on economic behavior.

The aim of economic reform is to establish the mechanism of planned commodity economy. In the transition from product economy to commodity economy, the problems we face include not only a change of the state's economic role, setting up of a market system and reform on enterprises' ways of operation, but establishment of an economic order that fits in with the operation of the socialist commodity economy. In developed commodity economies, economic order was evolved and worked to perfection over a long period of economic structural development. In our case, where a vast economic structure is to be changed from planned operation to market operation under planning guidance, the building up of economic order will have to rely on the state's positive and conscious efforts.

Strictly speaking, the appearance of a new economic order suitable for socialist commodity economy is the combined result of the deepening and mutual interactions of several reform measures. The state's economic role will finally be one that exercises only indirect control over various economic behavior. The perfection of market organization and system will in the end consolidate various rules to abide by. Enterprises' operation methods will ultimately be rationalized by reform. However, because reform cannot be instantly achieved and will take a long time, and in its process we need the "support" and "guarantee" an economic order can give us; and because the birth of any one part of the new structure calls for a corresponding economic order in which to operate, it is necessary to isolate the building up of a new economic order from reform's general scheme and treat it as an independent task, giving it priority. That way, reform will be assured of smooth development. Of course, in a country such as ours, in which commodity economy is in an undeveloped stage and creditization is small, it will be extremely difficult to supervise and regulate thousands of various economic activities, to educate the public to observe and adapt to the new order. But so long as we continue to pursue the development of establishing a new economic order, the

longer the problem remains unsolved, the greater the old customs and vested interests will get in the way, and the higher the price we will have to pay in the end. Whether out of immediate economic needs or long-term consideration of a smooth development of reform, we should put on the agenda the setting up of a new economic order tailored for socialist commodity economy. A breakthrough in this respect will help stabilize the economy and accelerate reform.

To establish a new economic order is one of the constructive tasks in economic structure reform. It contains many complicated and specific tasks. The following items relate to the present situations of our country. They should be specifically worked on:

First, to conduct massive propaganda and educational activities in order to make people understand the significance of building up a new economic order, and to familiarise them with the contents of the new order, so that they will be mentally prepared.

Second, establish or perfect a line of fundamental systems to clarify microeconomic activities—especially capital flow and personal income—so that the concerned authorities can have a clear picture of what is going on. We can, for instance, establish personal income filing and audit systems and a well administered system on invoice and original receipt, develop accountancy, set up examination by certified accountants on enterprises' finances and practise periodic audit controls on enterprises, institutions and units.

Third, quicken drafting and legislation of various policies and rules so there can be order in economic behavior. Rules on economic behavior in commodity economy form a vast system, comprising economic laws as well as provisions specific to certain business or professions. At present we should focus on laws that have particular relevance to business operation and administration, such as administrative law, commercial law, account law, audit law, regulations on sales commissions and administrations on private economy.

Fourth, strengthen the economic supervision authorities so that they have more power to exercise control on economic behavior. Already our economic legislation is imperfect. More serious is that existing laws and regulations are either not enforced or implemented in a lax manner. This situation has to do with our weak economic supervision departments, which are unable to examine, verify, or investigate in the face of thousands of economic activities. We should adopt practical measures to strengthen taxation, audit, industrial and commercial administration and economic judiciary departments, to expand their force and upgrade their quality. We should work out ways to supervise those who supervise and prevent them from abusing the law.

Fifth, tighten up policy and financial discipline. If existing slackness of discipline is allowed to grow unchecked, things may get completely out of hand. Under the present double structure, when economic entities do not yet know self-restraint, administrative measures on economic activities—particularly consumption—are necessary. Reform must be subject to the centralized planning of the central authorities. Administrative channels must be clear and unobstructed. We need urgently to make an overhaul of policies and systems: Those that are unsuitable should be discarded, those valid should be enforced strictly. People who break the rules should be dealt with. We should take precautions against those who undermine the State's policies and systems in the name of reform. In this way the effectiveness of the state's regulatory measures will be assured.

GUANGMING RIBAO on Unity of Planning, Market
HK0507063588 Beijing GUANGMING RIBAO
in Chinese 25 Jun 88 p 3

[Article by Fang Jiachun (2455 0502 2504) and Zhao Changmao (6392 7022 5399): "Brief Discussion on Multidimensional Unity Between Planning and the Market"]

[Text] "The state regulates the market, and the market guides the enterprise." This is the target of China's new economic operations. The key problem is how to realize the unity of planning and the market. In the current stage of developing the planned commodity economy, neither planning nor the market has been fully developed. There are differences between the two in respect of their range and effectiveness. Their unity may still be obstructed by many factors relating to the old structures. Therefore, in reality, the unity of planning and the market is expressed by the a form of multilayered, multigrade, and multisection unity, or the "multidimensional unity of planning and the market."

The Multilayered Unity of Planning and the Market
[subhead]

The multilayered unity of planning and the market refers to their unity in three different fields of the national economy, that is, the macroeconomic, the intermediate economic, and the microeconomic fields. As different economic fields are restricted by different economic conditions and factors, the unity of planning and the market also has different characteristics in different fields.

1. The Unity of Planning and the Market in the Macroeconomic Field. The macroeconomy mainly deals with problems concerning the overall situation of the national economy. Its policy decisions are usually expressed by all kinds of economic development strategies worked out by the state or the government and all kinds of intermediate and long term plans and macroeconomic control policies. In this respect, the role of planning mechanism is usually greater than market mechanism. Therefore, the unity of planning

and the market in the macroeconomic field is characterized by the unity of strong regulation through planning and weak regulation through the market.

2. The Unity of Planning and the Market in the Intermediate-Scale Economic Field. The intermediate-scale economy mainly refers to the regional economy with cities as the center. The unity of planning and the market in the intermediate economic field means to relatively resolve the planning in the macroeconomic field and transfer it to the intermediate economic field and to give full play to the basic and regulatory roles of the market in the intermediate economic field. As the intermediate economic field is an intersection of planning and the market, there are usually not great differences between planning mechanism and the market mechanism in the roles they are playing. Therefore, the unity of planning and the market in the intermediate economic field is usually characterized by the unity of relatively balanced regulation through planning and regulation through the market.

3. The Unity of Planning and the Market in the Microeconomic Field. The microeconomy refers to the production and operations of various economic units at the grass-roots level. It is the basic level of the national economy. As various economic units are working separately, they can directly feel the coercive role of the law of value. However, in the new structure, all markets are under the guidance and regulation of planning. Therefore, in the microeconomic field, the unity of planning and the market is characterized by the unity of weak regulation through planning and strong regulation through the market.

The Multigrade Unity of Planning and Market [subhead]

The multigrade unity of planning and the market refers to their unity in different types of enterprises. As different types of enterprises are in different positions and are playing different roles in the national economy, they have different reactions toward regulation through planning and regulation through the market. Thus, the strengths of planning and the market are also different when they play the role of regulation.

1. The Key Construction Projects of the State and Special Enterprises. The key construction projects of the state are usually basic construction projects. Their purpose is to create favorable basic conditions for the market operation. Therefore, most of them are put under the direct control of state planning. Special enterprises mainly refer to those key enterprises requiring rare resources, such as large-scale materials supply and the marketing enterprises, commercial and foreign trade enterprises, and companies with the state's long-term investment. They are special because their purpose is not to seek the greatest possible profits, but to implement the state policy on regulation of the market. Thus, the strength of regulation through planning can be easily felt.

2. Ordinary Enterprises Existing in a Form of Large and Medium Enterprises. These enterprises form the main body of the national economy. They are the main participants and leading forces in the socialist market. They demand and obey the guidance of the state planning but, driven by the motive of seeking the greatest possible profits, also have a defect of developing blindly. To regulate this kind of enterprises, the state should adopt comprehensive economic, administrative, and legal means to regulate and affect the market. Thus, the enterprises will be able to develop in an orientation favorable for the realization of the scheduled target while weighing their benefits and risks.

3. Ordinary Enterprises Existing in a Form of Small Enterprises. These enterprises are generally engaged in the production of small commodities and service trade. An outstanding characteristic of such enterprises is their small scale and low degree of socialization, which enable them to operate flexibly according to circumstances. Although they are also covered by the regulation through planning, their operations are mainly restricted and influenced by the market. Therefore, in these enterprises, the unified regulation by planning and the market should be a kind of regulation under the influence of planning, with the market as the leading factor.

The Multisection Unity of Planning and Market [subhead]

This refers to the concrete unity of the state planning and different markets while the state is regulating different markets. All kinds of markets are in different positions, play different roles, and have different characteristics in the market system as a whole or even in the entire national economy. When the state is regulating the markets through planning, it should adopt different forms of regulation in light of different kinds of markets.

1. The Commodity Market. It is the basic level of the socialist market system. Generally speaking, the state should not directly interfere in the commodity market through planning on too many occasions. Under the condition that market mechanism is becoming more and more perfect in the consumer goods market, the state should only control the total quantity and structure of the market through planning, leaving most of the consumer goods for the market. The market of capital goods has comparatively more problems. The state should make efforts to open this market wider and gradually realize the free circulation of capital goods. On the other hand, it should carry out necessary control and regulation through planning so that the target of "changing track" can be realized.

2. The Financial Market. It is a hub of the market system and an important channel for realizing the target of "state regulating the market and the market guiding the enterprises." Judging from the actual situation of our country, the financial market is still rather small and

cannot suit the development of the commodity economy. Therefore, it is necessary to improve the macroeconomic regulation and control system in the financial market under the guidance of state planning so that the unity of planning and the market can be realized in the distribution of social funds. In other words, the market should be taken as the basis and planning be taken as the guide.

3. The Labor Market. In the current stage, it is necessary to open up diverse forms of labor markets in our country step by step and in a planned way and to create a relaxed environment for the free flow of labor forces under the guidance of state planning so that the reasonable flow of labor forces can be promoted through competition in the market.

To sum up, we should say that the multidimensional unity of planning and the market in different fields, different enterprises, and different markets of the national economy is in conformity with the objective demand of the development of the planned commodity economy in the current stage and a realistic channel for realizing the target of "state regulating the market and the market guiding the enterprises," a pattern of the economic operation mechanism.

Commentator on Protection of Private Enterprises
HK0107153588 Beijing RENMIN RIBAO in Chinese
29 Jun 88 p 2

[Commentator's article: "Encourage and Guide the Private Enterprises To Develop Healthily"]

[Text] Following the First Session of the Seventh NPC, which constitutionally established the legal status of private enterprises, the State Council formulated three sets of regulations—"PRC Interim Regulations on Private Enterprises," "PRC Interim Regulations on Income Tax of Private Enterprises," and "State Council Provisions on Levying Individual Income Regulatory Tax on Investors in Private Enterprises"—to encourage the growth of private enterprises and tighten their management. To implement these regulations and provisions is to fulfill the principle of the initial stage of socialism, wherein public ownership predominates, complemented by various other forms of ownership. It means much to the growth of our productive forces and building socialism with Chinese characteristics.

The appearance of private enterprises in our country is not at all accidental. After the 3d Plenary Session of the 11th CPC Central Committee, individual traders and manufacturers and peasants with contracted undertakings have prospered. With it some of the individual traders and manufacturers have been able to amass some capital. And in the efforts to expand the scale of their production and operation, their hired labor has exceeded the state's quota concerning the individual economy's employment of handymen and apprentices. In addition, the pattern of private enterprise finally emerged, with

the private means of production and wage labor. According to statistics, by the end of 1987, China had 225,000 private enterprises, each employing at least 8 people and with a total work force of 3.6 million. They have played a positive role in promoting production, enlivening the market and the economy, providing more job opportunities, and facilitating people's livelihood. At present, there is a surplus labor force of 150 million in rural areas looking for employment. If the number of these enterprises grows to 2 million and if they produce 10 percent of China's industrial output value, they will be able to provide 36 million job opportunities. This point alone will account for the importance of private enterprises in the development of our economy. It is not the case that private enterprises have been too many or have developed too fast; in fact, they have been too small and too scanty in the overall proportion of our national economy. They need a series of rules and policies to hasten their growth.

It should be pointed out that owing to the influence of previous concepts (especially "leftist" ones) and an absence of suitable state rules, the growth and management of private enterprises have been badly affected. Private entrepreneurs are worried and wary of shifts in state's policies, and dare not proceed vigorously. The second thing is that the legitimate rights of private enterprises are not legally protected. They are capriciously charged, levied, or even blackmailed by individuals or units. Third, some private enterprises take advantage of the absence of relevant legislation and conduct their business illegally, or evade taxes. Fourth, supervision by the departments concerned lack clear guidance in law, and this adds to the difficulty of the job. These problems are bad for the implementation of policy formulated by the state; they hinder the growth of private enterprises. It is, therefore, an urgent task to enact rules and regulations on private enterprises.

Our country is in the initial stage of socialism. Ownership at this stage is characterized by a predominance of public ownership, supplemented by various economic patterns. Since the present stage covers a fairly long historical period, to encourage the development of private enterprises is by no means an expedient measure, but a long-term policy. The recently passed amendments to the Constitution at the First Session of the Seventh NPC clearly stipulate that private enterprise is a necessary and beneficial complement to the socialistic public ownership economy. The three sets of regulations promulgated by the State Council today have further specified the rights and obligations of private enterprises: Investors in private enterprises enjoy the right to own the property of the enterprises and the right is inheritable. No unit or individual can take it by force. Now private enterprises are protected by law, and they can freely proceed with their production. As for the infringement of their rights by some units or individuals, such as unjustified charges or financial levies, they can employ the weapon of the law to defend their legal rights. As for some people who operate businesses in violation of the

law, or evade taxes, these newly passed regulations will provide clear guidance of law for law-enforcement departments in their day-to-day management and supervision of private enterprises. As long as departments responsible for industrial and commercial administration and taxation authorities implement these regulations strictly, these evils can be stopped.

Of course, the promulgation of these regulations means that there is now a law to abide by. Whether these laws are observed or impartially executed very much depends on the common efforts of those concerned and the law enforcement authorities. We believe, as the regulations of private enterprises are being put into effect, as the consciousness of the law of the whole people strengthens, private enterprises will play a more positive function in our country's productive forces.

First Private Joint Venture Approved
OW0107161088 Beijing XINHUA in English
0721 GMT 1 Jul 88

[Text] Guangzhou, July 1 (XINHUA)—A businessman from the city of Dongguan in Guangdong Province just got permission from local authorities to start up China's first private Sino-foreign joint venture with a Hong Kong firm.

Zhang Jijian, owner of the Hongji Corporation, Ltd., opened a plastic bag factory in 1984, and soon after started accepting orders from Hong Kong. Zhang later expanded his business scope to include five more factories which manufacture watch bands, hardware, incense and paper.

Zhang's factories have earned a good reputation because they deliver goods on time, maintain quality control standards, and gear products to the market. As a result, one Hong Kong entrepreneur expressed interest in cooperating with Zhang.

Under the recently-signed contract, Zhang will produce 3.5 million watch bands a year, of which 70 percent will be exported.

To date, Zhang's top two factories earned combined profits of 1.5 million Hong Kong dollars (192,000 U.S. dollars) last year by exporting processed metal products.

Dongguan now has more than 500 individual and private firms are involved in processing supplied materials, spare parts and samples, with their total export value hitting 100 million Hong Kong dollars (12.8 million U.S. dollars last year.

XINHUA Hong Kong Chief on Coastal Development
OW0207020388 Beijing XINHUA in English 0119
GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The role of Hong Kong as a world trade and finance center, and shipping hub should be brought into full play for the export-oriented economic development of China's coastal areas.

Xu Jiatao, director of the Hong Kong branch of XINHUA NEWS AGENCY, urges this in an article in "SEEK TRUTH" ["QIUSHI"], a theoretical journal of the Chinese Communist Party, the first issue of which is published today.

Hong Kong has all the necessary conditions to help with the new coastal development strategy recently put forward by the Chinese Government since it has already become a window for China on the rest of the world and a major outlet for Chinese products, he said. It also a major channel for foreign funds flowing into China.

First of all, Xu pointed out, coastal areas should try to make full use of the quick and timely economic information on international markets available in Hong Kong in policymaking and in opening up new markets.

Secondly, as a world financial center, Hong Kong can provide more foreign funds for coastal areas' development. According to official figures in Hong Kong, financial institutions there had provided 22.3 billion Hong Kong dollars to nonfinancial clients on the mainland by the end of 1987, as against 100 million at the end of 1979.

Thirdly, Hong Kong is an ideal place to set up a sales network for more Chinese exports. At present, about 40 percent of Chinese export commodities are directed to Hong Kong or via Hong Kong to the rest of the world, Xu said.

More foreign trade and management personnel in China can also be trained with the help of Hong Kong, Xu said.

Hong Kong itself can also benefit from helping the coastal areas, Xu noted. It can make use of the latest developments in science and technology in China and can shift more labor-intensive businesses to the mainland so as to solve the problem of its labor shortages, he pointed out.

When helping with the development of the coastal areas, Hong Kong can also expand its operations to more inland areas so as to get access to richer resources and more places to invest, Xu suggested.

Record Amount of Steel Produced Jan-Jun
HK0207033688 Beijing CHINA DAILY in English
2 Jul 88 p 2

[By staff reporter]

[Text] Nearly 30 million tons of steel were produced in the first half of this year, a record high for the metallurgical industry.

An official of the ministry of Metallurgical Industry said the country has been producing 164,800 tons of steel, 155,600 tons of pig iron and 129,600 tons of steel products a day on average since the beginning of the year.

If the present daily production is kept up, the country will fulfil the planned annual production target suggested by Premier Li Peng—an increase of 3 million tons of steel over last year's output which was 55.5 million tons.

Steel output by the end of June reached 53 percent of the industry's production target for this year and a 10 percent increase over the same period last year.

China also fulfilled 51 percent of its annual pig iron production as it produced nearly 28.3 million tons of pig iron by the end of June. The figure was an increase of 7.2 percent over the first half of last year.

The metallurgical industry is improving product varieties and quality. During the first five months, China's key iron and steel firms produced nearly 2.4 million tons of low-alloy steel and 12.2 million tons of alloy steel.

Steel firms also produced 1.88 million tons more of steel products over the same period last year. The output of steel plates and tubes increased by 9.9 percent and silicon steel increased by 7.9 percent. These products are in severe shortage in China at present.

China's steel production has been increasing by 3 million tons a year. In 1986, its steel output exceeded 50 million tons, which made China the fourth largest steel-maker after the Soviet Union, Japan and the United States.

Air China Formation Complies With Reform
OW0107130588 Beijing XINHUA in English
1218 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The establishment of Air China, the largest state-owned civil aviation company in China, is a major government effort to reform the management of China's civil aviation industry, State Councillor Zou Jiahua said today.

The new airline follows establishment of Southwest Airways in Chengdu early this year and the East China Airline in Shanghai recently.

Zou said the moves are intended to separate the function of the government from that of the companies.

Air china operates 32 international routes linking 31 cities in 24 countries and regions. It has connections with about 100 countries and maintains 23 offices abroad.

The airline also has 44 domestic routes serving 30 cities across the country.

Xu Bailing, former deputy director-general of the Civil Aviation Administration of China and director of the CAAC Beijing Regional Administration has been appointed first president of the airline.

Xu, 56, said the company will put safety first, will operate on time, and will offer improved services generally.

The airline has a fleet of 46 planes including 30 medium- and long-range Boeing jumbo jets. The company will buy more advanced airplanes to increase its transportation capacity, Xu said.

Exports Up 15 Percent So Far in 1988
OW0207190488 Beijing XINHUA in English
1200 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—China's exports have increased 15.8 percent in the first five months of this year over last year, a Chinese trade official said today.

Shen Jueren, vice-minister of foreign economic relations and trade said at a meeting of commodity inspectors that the country has been exporting 100 million U.S. dollars worth of commodities a day.

Exports for most regions are up over last year, a situation he credited to reforms and adoption of foreign trade contract responsibility system.

He said China has withstood severe tests with the depressed world market, falling petroleum prices, shifts in international currencies and trade protectionism.

He said the exports totalled 34.7 billion U.S. Dollars last year, more than 3.5 times the figure of 1978.

The annual increase has averaged 15.2 percent in the past nine years.

At the same time, he said, the quality of exports has improved, as has the variety, and there are less unfinished products.

Chinese products are exported to 186 countries and regions.

Last year exports exceeded imports, thus bringing to an end deficits that had hit China for three years running.

Commentator on Jingles Pointing Out Malpractices
HK3006085588 Wuhan CHANGJIANG RIBAO
in Chinese 18 Jun 88 p 1

[Commentator's article: "Commenting on 'Jingles'"]

[Text] It is a remarkable invention of the Chinese people to use "jingles" to point out malpractices and denounce unhealthy tendencies in society. As "jingles" are humorous, easy to remember and read, and can be spread quickly, they have a great impact in society. Recently more and more jingles, covering almost everything, from big things like reform and opening up issues to small ones like marriages and deaths, are spreading widely among the masses. Most of the jingles are concentrated on the bureaucracy of leading cadres, the unhealthy tendency of abusing power for personal gain, and the negative phenomena arising therefrom. For example, some cadres are mocked in the following jingles: "They play cards for the whole night, they do not get drunk even after drinking 8 liang of liquor, they know all types of dancing, whatever the leading cadres say is correct"; "When the secretary wants to build a house the director gives him a hand, when the director wants to build a house the section head gives him a hand, when the section head wants to build a house the purchasing agent gives him a hand, when the purchasing agent wants to build a house he can get the funds from his trip allowances"; and "The top is busy forming a cabinet, the middle is busy eating and drinking, while the bottom is busy gambling."

Most of these typical and incisive jingles are created verbally by "ordinary people" from "the whole gamut of their feeling." How should we look upon the jingles that have emerged in large numbers? We believe that those who pass on these jingles and the listeners have their own ideas and judgements. We would also like to express our views here to our readers.

First, we hold that it is not a strange thing. With a social origin, it is the overall reflection of the various problems existing in the period of a great social transformation. Since reform and opening up have been carried out over the years, some old orders have been smashed while the new orders have not yet been established and perfected. The poisonous weeds which ought to be eliminated have taken the opportunity to grow vigorously. In addition, actuated by their selfish interests some party cadres have failed to withstand the test of a commodity economy, thus leading to corruption and various unhealthy tendencies. According to international experience, the increase in the per capita income from \$200 to \$1,000 is a period in which drastic changes will take place in the social economic structure. It is bound to be followed by a turbulence in the superstructure and social ideology which reflects the economic basis. It is inevitable that various social malpractices covered up by the closed type system in the past will be exposed under the conditions of opening up. It is also normal for the masses to hate them. Naturally, we cannot draw the conclusion that

"world moral values are declining" because of the exposure of the social malpractices. Meanwhile, it is necessary to adopt forceful measures to advocate honesty and fight against corruption.

Second, we do not think that critical jingles emerging in large numbers is a bad thing. First, it indicates that the masses at the basic levels have extricated themselves from the fascist dictatorship of "inviting disaster by talking too much" invented by the "gang of four" and they dare to speak out and "see the world with their eyes open." It manifests political prosperity as the "common people will concern themselves with the affairs of the state under a benevolent rule." Second, the discontent of the masses should be duly released. So long as they are correctly guided, it will be advantageous to maintaining a balance of social psychology and to promoting stability and unity. Historical experience has proved that if the masses dare not pour out what they want to say but keep silent instead, crises will be latent in society. Third, the jingle that is unpleasant to the ear is like a cup of strong tea which, though bitter, can refresh those who are drowsy and help those who are sober to "take into account the matters they have not noticed." A Qing dynasty scholar Huang Zhunxian said: "A poem is a reflection of a poet's feelings toward a certain matter or person." Similarly, the party and government organizations at all levels can realize the malpractices in society and know the popular feelings through the jingles. This is indeed useful for them to act as the occasion demands and correctly formulate policy decisions. Regarding those the jingles are directed against, the penetrating, sharp remarks may serve as an alarm frequently reminding them. So long as they have a sense of party spirit and their conscience is clear, they will be under psychological pressure. This is what we call public supervision. If all working personnel of the party and government organs can frequently examine themselves with this as a mirror, there will be hopes of eliminating the malpractices and fostering an upright work style.

Third, we hold that the jingles widely spread in streets and lanes should not be considered an unimportant matter. It should not be simply regarded as a diversion or a joke after tea and lunch. Criticisms are usually divided into two categories: positive and negative. Pouring out grievances and making sarcastic remarks can release discontent and prompt those who listen to exercise due caution. However, the jingles also contain discouraging sentiments which may infect the masses and dampen their enthusiasm. Moreover, restricted by the role of society, social level and educational level, the authors of the jingles usually look upon social phenomena superficially and directly with their personal feelings. Thus, these jingles may lack fidelity and reflect only the truthfulness of selected isolated cases and of appearances rather than the whole truth and the overall situation. Regarding those accepting the jingles who merely want to "enjoy" but lack the ability of rational thinking, particularly young people with little life experience, they can only "see the infected tree, but not the luxuriant

forest," mistake the nonessentials for essentials and the appearance for the negative effect of essence, and even take a skeptical attitude toward reform and opening up. Proceeding from stability and unity, on the one hand, it is necessary to unclog the channel between the higher and lower levels so that the masses have ways to pour out their grievances; and on the other hand, it is necessary to conduct meticulous, convincing education and correctly guide the misgivings and specious views revealed in the popular jingles so that public psychology and social atmosphere will develop along a normal path.

Writers To Receive Job-Related Titles

HK2906053888 Beijing ZHONGGUO XINWEN
SHE in Chinese 1112 GMT 27 Jun 88

[Report: "China's Professional Writers Will Soon Be Given Post-Related Literary-Creation Ranks on a Trial Basis"]

[Text] Beijing, 27 Jun (ZHONGGUO XINWEN SHE)—Professional writers in China will soon be given ranks related to their posts in literary creation with a tenure of 3 years in each post.

The ranks or titles given to professional writers are similar to those to artists at the first stage. There are four different ranks in literary creation. The Writers' Association has formulated the "Interim Regulations on Implementing the System of 'Art Ranks' Among Literary Creators."

Ge Luo, secretary of the Secretariat of the Writers' Association, said that the tenure of a special rank is not too long, and the rank is related to the work loads of the writers. This will be the first step in reforming the management of professional writers. In the second step, after the formulation of the copyright law, the reform of the system of the authors' remuneration, and the establishment of various creations foundations, the writers will only maintain their professional title and will not get salaries. In the third step, the writers will no longer enjoy the "official" treatment, and they will become individual mental workers and self-employed professional writers. They can engage in literary creation on a full-time basis, and can also do part-time jobs. This will depend on the development of the reforms in various fields.

At present, the remuneration for writers, especially among young and middle-aged writers, remains too low.

Qinghua University Company Seeks Overseas Ties

OW0107130288 Beijing XINHUA in English
1207 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The business arm of China's prestigious Qinghua University is aiming to undertake joint ventures with foreign firms, Zhang Xiaowen, vice-president of the university, said here today.

The Qinghua Science and Technology Development Corp. Ltd., Will also engage in transfer of technology, consultancy and other services, he said. Zhang is also the corporation's board director.

He said the corporation hopes to transfer its scientific research to increase productivity, thus commercializing scientific achievements and facilitating establishment of high-tech industry in domestic and foreign markets.

Since its founding two months ago, the corporation has set up 10 subsidiaries and five specialized firms and has been in contact with firms in the United States and Federal Germany for negotiations on electronic components, computers and various kinds of instruments, he said.

The university, which specializes in engineering, has 1,600 specialists and 1,700 professors and associate professors.

Since 1980, it has undertaken 1,700 scientific research projects, of which over 900 have been registered and have passed technical evaluation and expert appraisal.

Of these, 82 have won state prizes for achievements in natural sciences and scientific and technological progress.

Campaign Begun To Encourage People To Fight Crime

HK0207033888 Beijing CHINA DAILY in English
2 Jul 88 p 3

[By staff reporter Duan Baiyi]

[Text] A campaign to encourage Chinese citizens to fight crime is being launched in order to curb a spiralling crime rate.

Major crimes resulting in serious injury or death in the first four months of this year increased 31.3 percent over the same period last year, the Ministry of Public Security reported.

Citizens are being urged to deter the growing number of criminals by helping to maintain order in their communities, a ministry official said.

To boost these efforts, 134 people from throughout China received awards for their bravery in the Great Hall of the People on Monday.

One of them was 25-year-old Shao Chengling from Qimen County, Anhui Province, who was stabbed in the chest saving a woman from a rapist.

The victim rushed into Shao's home to escape her attacker. Shao shielded her with his body as the rapist lunged forward with a knife. He and his two brothers then subdued the man and took him to a local public security department.

The ministry official said citizens in some provinces and municipalities feel less safe now than a few years ago because of the rise in crime. He said thugs have carried out crimes in broad daylight while hundreds of citizens merely looked on with folded arms.

Some newspapers have condemned citizens for failing to rescue such victims. Others disagree, saying more efforts at prevention should be made by police since citizens are unarmed and can be injured or killed in fighting crimes.

The official said China now has more than 600,000 policemen, 6.4 per 10,000 population, compared to Japan's figure of 21.2, and 27.8 in the United States.

"People will not feel secure if they rely just on the police," said Wang Fang, Minister of Public Security.

A private association in Shenyang, the capital of Northeast China's Liaoning Province, donated tens of thousands of yuan in the form of awards made in late April this year to citizens who had actively fought crimes. A plant in Hefei, the capital of Anhui, also donated 10,000 yuan to reward citizens last May for their brave deeds.

The official said law enforcement requires the co-operation of the whole community.

"We must create a situation in which good and honest people do not fear evildoers," he said. On the contrary, the evildoer should fear good people.

He praised citizens in Anqing City in Anhui for bravely rescuing victims from thugs.

The official said police security departments throughout the country are taking active measures to crack down on the growing number of crimes and assist in the campaign encouraging citizens to fight crime.

LIAOWANG OVERSEAS EDITION Previewed
HK0207023388 Beijing XINHUA Hong Kong Service
in Chinese 0423 GMT 1 Jul 88

[Report: "LIAOWANG OVERSEAS EDITION No 27 Carries Important Articles"]

[Text] Hong Kong, 1 Jul (XINHUA)—In "Liaowang Messages," LIAOWANG OVERSEAS EDITION No 27, which will be published on 4 July, emphatically points out: In view of the fact that, when transmitting our articles on the Taiwan issue, some Western news agencies have quoted them out of context in an attempt to give people a false impression as if the CPC has changed its consistent policy on peaceful reunification, in this issue we have carried an article "Beijing Academics Assess the Policy of the Taiwan Authorities Toward the Mainland" to further elaborate the CPC's principle on solving the Taiwan issue by peaceful means.

Other important articles carried in this issue include: "Mainland Academics on Establishing a New Order of the Socialist Commodity Economy," "The Eye-Catching 13th KMT Congress," "There Are No Essential Changes in the Dalai Lama's New Proposal," "The Nine Ministries and Commissions Recently Established in China Start Playing Their 'Roles'," "The Past, Present, and Future of Chinese Movies," and "The Trends of China's Literary World as Seen From Literary Awards Through Public Appraisal."

East Region

Guangdong Delta Farmers Modernizing Rapidly *OW0307050188 Beijing XINHUA in English* 1407 GMT 2 Jul 88

["Delta Farmers Say Good-Bye to Traditional Farming (by XINHUA Correspondents Fang Xin and Hu Chuangwei)"]—XINHUA headline]

[Text] Guangzhou, July 2 (XINHUA)—Farmers on the Pearl River Delta, one of China's most economically-developed areas, are going all-out to introduce advanced agricultural techniques and machinery, improved varieties of plants and fine breeds of animals.

This trend has accompanied the development of township industries. Statistics show that 60 to 70 percent of rural manpower is now engaged in local industries, making it possible for farmers to get subsidies and develop agriculture intensively.

Nanhai County provides specialized farmers with fine breeds of chicken, forage, technology, epidemic prevention techniques, market information, and purchasing and sales services.

Over 6,000 households specialize in chicken raising in the county, and the income from animal and fowl-breeding now accounts for 27.6 percent of the county's gross agricultural income, up eight percent on that of 1978.

Imported technology and equipment, and fine breeds have promoted pond-fish output in Shunde County to 7.5 tons from 2.9 tons per hectare in 1978.

Great changes have also taken place in grain production, as plowing, rice transplanting, harvesting and irrigation are now mechanized.

Chen Zhu, a farmer in Dongguan County, is now able to manage more than four hectares by himself since his farm became mechanized. He gets a yearly income of 20,000 yuan by producing grain alone.

The commodity rate of agricultural produce in the area has gone up to 90 percent. Yearly agricultural income in some cities and counties of the delta averages 7,000 yuan, close to the industrial productivity of some of the nation's other areas.

Shanghai's Industrial Production Shows Increases *OW0407141788 Beijing XINHUA in English* 1157 GMT 4 Jul 88

[Text] Shanghai, July 4 (XINHUA)—Shanghai yielded a record 51.48 billion yuan (11.2 billion U.S. dollars) worth of goods in the first half of this year, up 6.6 percent over the same period in 1987.

Foreign-funded enterprises in the city scored an 82.5 percent rise in output value during that period, the Shanghai Municipal Statistics Bureau announced here today.

The city exported 6.78 billion yuan worth of manufactured goods in the same period.

Shanghai Mayor Cited on Fudan University Situation *OW0307125888 Beijing Domestic Service in Chinese* 1454 GMT 27 Jun 88

[By reporters Guo Lihua and Liu Jun]

[Text] Shanghai, 27 Jun (XINHUA)—While presenting a report on the situation at Fudan University, Shanghai Mayor Zhu Rongji appealed to the vast number of faculty and students with his earnest hope of tiding over difficulties and rejuvenating Shanghai with the spirit of unity and cooperation.

The report was made to an audience of more than 1,000, among whom were party and government cadres from 51 institutes of higher learning in Shanghai and part of Fudan's faculty and students.

This was the first visit to Fudan's campus paid by the 59-year-old new mayor. He began his speech by saying: "It is with a sincere intention of developing Shanghai that I come here to seek your understanding, confidence, and support." He said: As we know, Shanghai is an important industrial base that contributes greatly to our nation. In recent years, however, Shanghai has been faced with the two major difficulties of sliding revenues and too many overdue bills, mainly because of the fact that the prices of raw materials have increased. Therefore, the municipal party committee and government have tried in every possible way to develop production, increase foreign exchange earnings through export, and, at the same time, further improve the investment environment of Shanghai to attract more foreign capital. Two important measures have been adopted to ensure that power will be delegated to lower levels and an honest and highly efficient government will be established. Shanghai reached a turning point in its industrial production in May of this year, with a growth rate of 8.5 percent. A promising sign of economic momentum has appeared.

Looking back to the past and forward to the future, Mayor Zhu Rongji said: Rejuvenating Shanghai is a cause for all Shanghai residents and education and talented people are the foundation of this cause. He urged the college students to study hard and put their abilities to good use in the future for the cause of developing Shanghai's export-oriented economy.

Investors Vie for Shanghai Property Use Right
OW0207203188 Beijing XINHUA in English
1436 GMT 2 Jul 88

[Text] Shanghai, July 2 (XINHUA)—Six Chinese and foreign investors have bid for rights to develop a prime piece of real estate in Shanghai's Hongqiao economic and technological development zone.

The 12,000-square-meter property may be developed for apartments, office buildings, hotels or comprehensive buildings, with a total floor space of 60,000 square meters, Jiang Rugao, director of Shanghai Land Administration said today.

The land use right will run for 50 years and the owners may sell, lease, mortgage or pass the investment to someone else as inheritance. The six competitors are from Hong Kong, Japan, the United States and the Chinese mainland.

The director refused to identify them.

The winning tender is expected to be announced within a week, the director said.

Shanghai Forms Third Economic Development Zone
HK0107101388 Beijing CEI Database in English
1 Jul 88

[Text] Shanghai (CEI)—The third economic development zone in Shanghai, the Caohejing Microelectronic Economic and Technological Development Zone, has been established recently.

The economic zone, covering 170 hectares and located 11 kilometers from the downtown area, will become a development zone drawing investment of foreign businessmen in advanced science and technology such as microelectronics, biological engineering, optical fibre telecommunication and robot. Foreign businessmen investing here will enjoy the same preferential treatment as those coming to the other two economic development zones on matters of tax and loan.

Municipal construction and building of service facilities have started since 1986. Seven foreign enterprises including the Philips Co., Holland, have built factories in the development zone.

Better Management Benefits Zhejiang Factory
OW0407145988 Beijing XINHUA in English
1100 GMT 4 Jul 88

[Text] Hangzhou, July 4 (XINHUA correspondent Cao Yinkang)—Last year the Jiaying Battery Factory in Jiaying, Zhejiang Province, recorded a first quarter loss of 50,000 yuan or 13,000 U.S. dollars, the first loss ever since its founding in 1951.

But this year the factory, which furnishes a quarter of Zhejiang's battery annual output, is back in the black. It earned 90,000 yuan in profits in that same first quarter.

The reason: introduction of the initiative-based contract responsibility system. It has proved to be a fundamental way to invigorate state-owned enterprises, as the 624 workers in the battery factory will attest.

The factory is one of the 117 enterprises, or 90 percent of the total in Jiaying, which has become more profitable since the contract responsibility system was introduced last year.

The system has made it possible for state-owned enterprises to expand and upgrade, and pay more taxes and profits to the state, said Chen Yongming, deputy director of the city economic commission.

The battery factory's financial difficulties were caused not only by higher production costs but disunity among executives.

Last December, the city government decided to put the management of the factory up to public bidding.

Qian Qimei, former factory director, won the bid and signed a contract with the city authorities to manage the factory.

The contract specifies the factory must earn 1.82 million yuan in profits by 1990.

During the term of the contract the government promises not to intervene in factory affairs.

"Under the contract, I enjoy full managerial authority and assume full responsibility for my factory's profits and losses," said Qian who gets a reward if he achieves the targets and penalties if he doesn't.

Qian's first step was to appoint three deputy directors and one director assistant.

Then he shook up the factory administrative offices, reducing the number of sections from 11 to six and cutting back white collar workers by 16 percent. The displaced workers got blue-collar jobs in the factory, instead.

Qian also made the factory's four workshops sign sub-contracts, setting out production targets and costs, quality standards and safety and equipment management.

The workshops then set production quotas for the workers. Those topping their quotas get extra pay, while those failing to do so are docked.

The factory produced 4.3 million yuan worth of batteries in the first five months of this year, up 11 percent from the same period in 1987.

Earlier this year, it developed the "Lixian" (ideal) battery, which is now exported to Britain, Canada and Hong Kong.

Each worker has received 225 yuan on average in bonuses, compared with almost none last year.

Central-South Region

Guangdong Confident of Price Reform Success
OW0307121888 Beijing XINHUA in English
1124 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—Leaders in Guangdong are confident in the success of the price reform, and they think materially the province is strong enough for it.

This is the opinion of Xie Fei, deputy secretary of the provincial Communist Party Committee, in an interview with the "PEOPLE'S DAILY" which was published today.

According to Xie, the prices for 80 percent of the materials for production and all nonstaple foods are now subjected to regulation by market mechanism.

Over the past nine years, he said, the purchase prices of farm produce have risen by 108 percent, and this has boosted farmers' enthusiasm for production.

Also, he said, the province has reported an average annual rise of six percent in retail prices of commodities, but the actual income for residents, has been up at the same rate.

Because of this, Xie added, people have shown understanding of those measures announced by the provincial authorities earlier this year to further reform the price system.

He based himself on a sample survey of 1,550 urban families, which shows that 68.4 percent of the families favored the price reform and 9.8 percent were opposed to it.

Guangxi Commends Suppression of Vietnamese Agents
HK0507084188 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 4 Jul 88

[Excerpts] On the morning of 4 July the people's government of Ningming County held a victory meeting to commend state armed policemen and militiamen for their meritorious deeds in encircling and suppressing intruding Vietnamese armed special agents on 24 May.

Over the past few years, Vietnamese authorities have continued to send a number of armed special agents into our border areas to spy; loot local people's property; and kill and wound cadres and the masses. At noon on 24 May two armed vietnamese spies slipped into the (Aiding) area of Ningming County. Our Public Security

Department dispatched armed policemen to the scene at once. Along with militiamen, dispatched by (Shidang) Township and local people, they discovered two Vietnamese spies and surrounded them. At 1400 our armed policemen ordered them, in Vietnamese, to surrender but they refused. When one of them attempted to resist by throwing a grenade, he was immediately shot dead, and the other captured alive.

To commend the meritorious deeds of the state public security policemen and militiamen, the regional State Security Department and Ningming County people's government decided to cite the county state security office, leaders of (Shidang) Township and other armed policemen and militiamen for their meritorious service. [passage omitted]

Guangxi Absorbs \$800 Million in Foreign Capital
HK0207020388 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0957 GMT 29 Jun 88

[Report by reporter Zhao Yuanguan (6392 6678 0342): "Foreign Capital Absorbed by Guangxi Totals About \$800 Million"]

[Text] Hong Kong 29 Jun (ZHONGGUO TONGXUN SHE)—"Importing capital from other provinces and overseas to develop Guangxi, and sharing benefits with them," is how Guangxi Autonomous Region people's government Vice Chairman Zhao Weichen generalized the direction of Guangxi's regional economic development in an interview with this reporter.

In a briefing, Zhao Weichen said Guangxi has imported foreign capital for 400 projects, involving an investment volume exceeding \$1 billion, of which foreign investments account for 80 percent. They are from 20 countries and regions including the United States, Japan, Australia, Thailand, Singapore, Hong Kong and Macao. In 1987, the region's income derived from processing and assembling with imported materials was \$4.15 million; its export volume exceeded \$500 million, up by almost 30 percent from 1986; and more than 200 export-oriented commodity bases had been built; the region had established business ties with 5,000 or so clients from over 130 countries and regions. He said that in the first half of this year, Guangxi made great progress in importing foreign capital, processing with imported materials (samples), carrying out compensation trade and foreign trade.

Zhao Weichen said, while actively developing the import of foreign capital, processing with imported materials (samples), carrying out compensation trade and foreign trade, Guangxi will work hard to develop lateral economic ties with other provinces. Guangxi and Guangdong initialled an accord on economic and technological cooperation on 18 June. According to the accord, they will primarily develop the Sijiang River valley's economic corridor, which includes Guangzhou, Shaoqing,

and Wuzhou and Yulin Prefectures. Guangxi also initiated the Tianshenqiao hydropower station project on the Hongshui River with the joint investments from Guangdong, Guizhou and the State Ministry of Energy Resources; investment volume is estimated to 2.92 billion yuan.

Zhao Weichen also disclosed that, a Jiangsu economic delegation is currently visiting Guangxi to explore the possibility of economic cooperation; the first project will utilize Jiangsu's solid technological force to transform Guangxi's sugar refinery industry.

Regarding the investment climate, Zhao Weichen said Guangxi's economic development district was recently enlarged by six times; new preferential policies have been drawn up and implemented; and a service center for foreign nationals has been founded, with joint offices organized to simplify procedures and to improve efficiency. Guangxi is improving its infrastructure step-by-step. For example, the expansion of Guilin Airport and the renovation of telecommunications equipment in the near future. Zhao said Guangxi's economic development district faces Beibu Wan, is located next to Guangdong, and is a close neighbor to Hong Kong and Macao; giving it favorable conditions for developing an export-oriented economy. With the completion and perfection of its investment climate, Guangxi's economy will be further developed.

Zhao Weichen was vice minister of the State Economic Commission before transferring to Guangxi to take charge of the region's economy. He proposed the large-scale expansion of Guangxi's economic development district which was implemented after making four trips to Beijing.

Guangxi Relays Political Bureau Meeting Spirit
HK0407011188 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 3 Jul 88

[Text] The Guangxi Regional CPC Committee and people's government held a meeting of leading cadres of the regional organs yesterday to convey the spirit of the ninth plenary meeting of the CPC Central Committee Political Bureau. The meeting stressed that the region must further implement the guidelines laid down by the 13th Party Congress on speeding up and deepening the reforms, and resolutely and steadily resolve the unavoidable problems in reform. Through deepening economic and political structural reform, a new order suited to socialist commodity economy should be gradually established.

About 400 people attended the meeting, including leading cadres of the regional party committee, Advisory Commission, People's Congress Standing Committee, people's government, CPPCC, Discipline Inspection Commission, Higher People's Court, People's Procuratorate, and the regional organs.

Hou Depeng, member of the Standing Committee of the regional party committee, relayed the spirit of the ninth plenary meeting of the CPC Central Committee Political Bureau. Cheng Kejie, vice chairman of the regional people's government, spoke on the region's economic situation and reform issues.

Chen Huiguang, secretary of the regional party committee, put forward views on implementing the spirit of the ninth plenary meeting of the CPC Central Committee Political Bureau. He pointed out that in implementing this spirit, it is first necessary to have a clear picture of the situation, unify thinking, correctly understand the problems facing the reforms and the favorable conditions for resolving these problems, and promote the progress of reforms. Second, the leading party and government organs at all levels must regard providing honest government as a major affair. It is necessary to persevere in governing the party with strictness in the process of reforms and opening up. Apart from that, the party organizations at all levels must revamp and improve ideological and political work and grasp reform and opening up with one hand and ideological and political work with the other.

Hainan Air Force Unit Stresses Defending Spratlys
HK0507012588 Haikou Hainan Provincial Service
in Mandarin 1000 GMT 4 Jul 88

[Text] In view of the situation in the Nansha [Spratly Islands] struggle, a naval Air Force unit stationed in Hainan has actively launched education in the tradition of loving and defending the treasure islands while conducting education in the maritime concept, to arouse the party members', cadres' and fighters' sense of honor and responsibility in loving the treasure islands.

This unit is responsible throughout the year for ensuring air intelligence for the sea areas adjacent to Hainan. They correctly understand their heavy responsibility and maintain high vigilance at all times, thus achieving 95 percent quality in their work of ensuring air intelligence.

To enhance the understanding of the party members, cadres, and fighters regarding the necessity and difficulty of the struggle to preserve sovereignty over the Nanshas, the unit party committee has seriously conducted education in patriotism and revolutionary heroism. On 28 June, the unit seized the chance of convening a party congress to organize the party delegates to visit the former dwelling of Feng Baiju and recall the merits of this veteran revolutionary general. They resolved to carry forward the glorious traditions of keeping the red flag flying during 23 years of struggle in Hainan. The unit also distributed more than 100 sets of materials and books on the revolutionary history of the Qiongyai Column, to be studied by the party members, cadres, and fighters. As a result they all pledged to love the islands as their home and boosted their confidence in the Nansha struggle. They resolved to make their own contributions in defending the outpost of the motherland.

Legislation for Hainan Province Outlined
OW0107135688 Beijing XINHUA in English
0745 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—A group of economic experts and jurists gathered at Beijing University to discuss three legislation drafts for Hainan province, China's largest special economic zone, according to today's overseas edition of the "PEOPLE'S DAILY".

The three texts are the "Regulations on Foreign Investment in the Hainan Special Economic Zone", "Regulations for Companies in the Hainan Special Economic Zone" and "Regulations of the Organization and Work of the People's Government of Hainan Province".

The three draft texts were drawn up by a special committee at Beijing University at the request of the Government of Hainan Province.

The committee studied related international regulations and took into account the experiences of the Southeast Asian nations, and of Taiwan, Hong Kong and Macao.

The draft regulations on foreign investment grant a broader range of channels for foreign businessmen to invest. The time limit for the investment will be extended and foreign enterprises will be offered more favorable treatment in taxation, bank loans, land allocation and public services.

The three draft texts will be submitted to the provincial People's Congress for discussion, the paper said.

Hainan Meeting Discusses Current Problems
HK0407013788 Haikou Hainan Provincial Service
in Mandarin 1000 GMT 3 Jul 88

[Excerpt] The Hainan Provincial Work Committee held its first joint executive meeting on 1 and 2 July. Leaders of the provincial work committee and government and principal responsible comrades of some cities and counties held face-to-face talks to study and resolve problems that urgently need resolving in work in these cities and counties. Principal responsible comrades of the provincial Economic Planning Department, Economic Cooperation Department, Trade Work Department, Finance and Tax Department, Agricultural Department, Port Management Commission, the Bank of Hainan, Haikou customs, and the provincial general company for assisting poor areas also attended the meeting.

Principal responsible comrades of Haikou, Tongza, Tunchang, Wenchang, Dangan, Qiongzong, Baoting, and Baisha cities and counties reported to the leading comrades of the provincial work committee and government on conspicuous problems in local work. They reported a

total of 130 problems, including questions of examination and approval of projects for bringing in foreign investment and establishing ties with units in the interior, foreign trade, assistance for poor areas, loans, and so on.

Through dialogue and study, together with examination and approval by the departments concerned, some of the problems were resolved on the spot, and views were put forward on resolving those that could not be solved then and there.

Xu Shijie, secretary of the provincial work committee, and Liang Xiang, deputy secretary, spoke at the end of the meeting. They gave their views on the situations reported by the cities and counties. Comrade Xu Shijie stressed again that it is essential to emancipate the mind still more and be bold and flexible in using the special preferential treatment policies conferred on Hainan by the State Council. The upper levels should both lead and serve the lower levels. Different departments should support and make allowances for each other and practice close cooperation. It is essential to emancipate the mind and make good use of the policies. People should not miss the excellent opportunity of reform and opening up by binding themselves up.

Comrade Liang Xiang pointed out that while doing a good job in organizing export-oriented agriculture, the cities and counties should also organize some industrial projects needing little investment, producing quick results, and only requiring a short cycle. [passage omitted]

Hainan Customs Regulations Effective 1 July
OW0307122488 Beijing XINHUA Domestic Service
in Chinese 2309 GMT 23 Jun 88

[Text] Beijing, 24 Jun (XINHUA)—Based on the Customs Law of the PRC and the State Council Regulations for Encouraging Investment in the Development of Hainan, the General Administration of Customs recently drew up the Regulations of the People's Republic of China Customs for Controlling Hainan Special Economic Zone's Incoming and Outgoing Cargoes, Means of Transportation, Luggage, and Postal Matters. The regulations will become effective on 1 July this year.

According to the regulations, customs offices will be set up in Hainan's open ports and locations where customs businesses are concentrated to perform supervisory and inspection duties. According to needs, the customs may station customs personnel at relevant enterprises to perform supervision and handle customs formalities.

According to the regulations, customs duties and consolidated industrial and commercial taxes are exempted for machinery, equipment, spare parts, raw and semifinished materials (including construction materials), fuel, and means of transportation needed for construction and industrial and agricultural production

in Hainan; food ingredients for its food and drink businesses; and rational amounts of articles its administrative organs, enterprises, and institutions need for performing official businesses. The taxes for goods (including state-controlled goods and spareparts) that Hainan Special Economic Zone imports for the market will be 50 percent lower than the prescribed tax rates. Export taxes are exempted for goods exported from Hainan, including goods processed with interior China's raw and semifinished materials and whose values have increased 20 percent or more. If any of the aforementioned tax-exempted or tax-reduced goods are approved to be exported to interior China, they should make up the unpaid taxes according to regulations.

Under these regulations, if an individual who proceeds to interior China with tax-free or tax-reduced goods imported by Hainan, he or she is allowed to carry a reasonable quantity of such goods for his or her own use. If the amount exceeds the reasonable quantity, he or she should declare to the customs, which will give the goods clearance after collecting the unpaid taxes.

According to the customs, smuggling and other acts which violate customs regulations will be handled according to the Customs Law of the PRC and other relevant regulations. Those who breach the criminal law will be delivered to judicial organs to have their criminal responsibilities investigated.

Henan Leaders Urge Fight Against Crime
HK0507022588 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 4 Jul 88

[Excerpts] A solemn rally was held in Zhengzhou this morning to commend the 13 public security heroes who cracked the 28 May and 18 June cases of robbery with violence. [passage omitted]

Cheng Weigao, deputy secretary of the provincial party committee and governor, read out a decision of the provincial party committee and government on launching a drive to learn from the heroes who cracked these cases. The decision called on the people of the province to learn from their fine qualities in loving the state and the people and possessing ideals and morals, their high sense of responsibility in being concerned for social order and defending the public interest, [words indistinct] and their dauntless spirit in fearing no sacrifice and advancing wave upon wave. [passage omitted]

Provincial party committee Secretary Yang Xizong spoke at the rally. He extended a lofty salute and warm congratulations to the 13 heroes on behalf of the provincial party committee and government. [passage omitted] He also put forward the following demands on public security work in the future:

1. Maintain constantly the posture of cracking down hard on crime and resolutely crush the arrogance of the criminals.

2. Step up vigorously grass-roots public security work and take greater precautions against crime.

3. Govern strictly the police [words indistinct].

4. The party committees and government at all levels must strengthen leadership over social order work.

Yang Xizong stressed that so long as the party and government leaders and the party members, cadres, and masses throughout the province emulate the 13 public security heroes and the advanced units in attaching great importance to and spontaneously preserving social order and vigorously step up comprehensive action for resolving the problems, a new situation can certainly appear in Henan's social order and atmosphere. [passage omitted]

First Sino-Japanese Venture in Hubei Established
OW0207171488 Beijing XINHUA in English 1214 GMT 2 Jul 88

[Text] Wuhan, July 2 (XINHUA)—The first Sino-Japanese joint venture in Hubei Province had signed contracts with Japan to produce 100,000 Western-style suits this year, Luo Riyan, the general manager of the company says.

Mailyard Garment Co. Ltd in Huangshi City was established in 1985 and formed a partnership with a Hong Kong company. The joint venture imported equipment from Japan, Federal Germany and the United States. But because of unskilled workers and poor management the company almost went bankrupted.

Earlier this year, Sanpelcolmaey [as received] Co. Ltd, of Japan became a shareholder of the company with 25 million U.S. dollars of shares.

The Japanese side introduced 10 popular suit styles and trained 40 technicians and managers to help the company get back on its feet.

"The company's efficiency and the quality of the products have reached the level of enterprises in Japan," said Kimio Tsunekawa, president of the Japanese company.

Luo said that his company earned one million yuan in taxes and profits in the first five months this year; foreign exchange earnings have been worth 350,000 U.S. dollars.

He expected the year's earnings will be 2.2 million yuan, with 800,000 U.S. dollars earned from exports.

Hubei City Guides 'Underground Economy' Properly
HK0307071488 Wuhan CHANGJIANG RIBAO
in Chinese 21 Jun 88 p 1

[Report by Qiu Changshou (6726 7022 1108): "Let the 'Underground Economy' Return to the Surface"]

[Text] The self-employed workers of the province and other parts of the country who are engaged in the underground processing industry on Hanyang's Qingchuan Street no longer have to hide. They are allowed to run their businesses and are officially put under the management of the neighborhood market. In other words, they pay taxes according to regulations and also place themselves under the supervision of the family planning policy. This is a new atmosphere following the measure adopted by the subdistrict office to allow the "underground economy" to return to the surface in light of the criterion of the productive forces.

According to relevant information, the concept of an "underground economy" was first introduced by the Italian economist (Giazzi) in 1977. It referred to "the economic activities of those who do not declare their income to the government, the government cannot exercise control over taxation in this regard, and their output value is not included in the official GNP." These economic activities exist extensively in all districts of Wuhan.

There are more than 120 processing factories with a workforce of around 500 on Qingchuan Street that do not have licenses. Most of these people, who come from Zhejiang and the rural areas of the province, are engaged in processing garments for the commodity market on Hanzheng Street. A small number of them make earthenware articles and bean curd. For a long time these underground processing factories have operated under laissez-faire conditions. They did not pay taxes to the state nor did they implement the family planning policy. The relevant government departments adopted the methods of banning these factories and sternly punishing them. A large-scale action to check and fine the self-employed workers was twice implemented over the past 2 years. As a result, some hid themselves while others ran away. After the fines were issued, however, those who hid and ran away returned.

Following the 13th party congress, the Qingchuan subdistrict office and the newly established market made an analysis of the economic activities of the underground processing factories run by self-employed workers, believing that the "underground economy" is an objective reality. It is a force not to be ignored in boosting the economy. As a matter of fact, it cannot be banned. In light of the productive forces criterion and the theory of the initial socialist stage put forward by the 13th party congress, the methods of combining management with guidance should be adopted to acknowledge the existence of the "underground economy" and let it return to the surface.

By the end of last year the Qingchuan subdistrict office and the market officially put the processing factories run by self-employed workers under the scope of their management. In view of the fact that the processing factories were scattered, concealed, and difficult for the market management personnel to exercise supervision over, a voluntary market management organization was set up. Every neighborhood committee sent a healthy comrade familiar with neighborhood affairs to serve as a voluntary supervisor and conduct investigations of every processing factory. Based on the investigations conducted by the supervisors, the market management organization issued provisional licenses to those engaged in processing industry for a long time and publicized the state decrees and taxation policies to them. A self-employed worker from Hanchuan County said: "So long as we are officially registered, we will not do businesses covertly." Regarding those engaged in short-term and seasonal processing industry, the market adopted the method of collecting a certain amount of a cash deposit from them. Provided the self-employed workers pay taxes on time, their deposits are refunded when they leave. To ensure implementation of the family planning policy, married women working for these processing factories may apply for provisional licenses only with the family planning certificates issued by the government of the locality from which they come. Now the subdistrict office and the market have adopted further measures to strengthen management. They have also planned to organize these processing factories to develop businesses in coordination with the small commodity market on Hanzheng Street.

Hubei's Wuhan Obtaining More Foreign Funds
HK0107101188 Beijing CEI Database in English
1 Jul 88

[Text] Wuhan (CEI)—Wuhan has obtained 65.61 million U.S. dollars of foreign funds in the first five months of this year.

Altogether 22 contracts have been signed with foreign business people involving 80 million U.S. dollars.

The accumulative volume of contracts signed with foreign firms since 1985 comes to 309.81 million U.S. dollars among which foreign capital totals 188.24 U.S. million dollars. There are 62 established joint ventures.

Southwest Region

Guizhou Leader Stresses Price Reforms
HK0307022388 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 2 Jul 88

[Excerpts] The provincial party committee convened a consultation forum of responsible persons of democratic parties and mass organizations and nonparty figures on 2 July. Provincial party committee Secretary Hu Jintao reported on the committee's study of the spirit of the ninth plenary meeting of the CPC Central Committee

Political Bureau and reviewed the province's economic situation, price and wage reforms, and other issues, and the committee's decisions on future work. He expressed the hope that the democratic parties and mass organizations will unite their members and friends to work in concert to create a relatively good economic climate and stable political environment, as a contribution to traversing the difficult pass of price and wage reform. [passage omitted]

Hu Jintao said: While affirming the current good situation, we must also squarely face the problems in economic life. Soaring prices constitute the outstanding problem. We must understand that the price problem must be resolved in the course of developing commodity economy, and also realize that it is extremely difficult to solve this problem. We must unify our understanding and our steps in the crucial moment of reform and summon up resolve to traverse this pass. [passage omitted]

We must develop production and improve economic returns, and the way to do this is to emancipate our minds and speed up reforms. All localities and departments must do a good job in firming up this year's reform measures, to create relatively good conditions for next year's reforms. [passage omitted]

Guizhou Forum on Rural Reforms Ends
HK0507053788 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 4 Jul 88

[Text] The provincial party committee held a forum on work of rural reforms between 29 June and 2 July, at which views were exchanged on the development and experience in deepening rural reforms, and concrete demands were set for the current work of rural reforms in our province.

Qiao Xueheng, vice chairman of the provincial People's Congress Standing Committee and head of the provincial party committee Rural Work Department, spoke at the meeting.

The meeting pointed out: Last year the province achieved some positive results in the experiments conducted for deepening rural reforms in seven selected counties and a prefecture. On this basis, this year the province also dispatched more than 12,000 cadres at the prefectural, county and township levels to 59 counties and 302 townships to conduct further experiments, so as to spread over a whole area from one point the work of deepening rural reforms in an overall way.

After reviewing past experience in rural reforms carried out over a period of time, the meeting has set the following new demands for rural reforms in our province. 1) The management system for contracting land should be further improved, the area under cultivation should be kept stable and more cultivated land should be contracted. Cases of wantonly occupying and using cultivated lands to build houses, bake bricks, and engage in

work of mining on them and cases of selling and buying cultivated lands should be sorted out in an overall way and dealt with in a realistic manner. 2) Efforts must be made to establish and improve rural primary organizations and cooperative economic organizations, to prepare cadres for village party branches, villagers' committees, and cooperative progressive organizations at the village level and give full play to their role, to strengthen the rural cooperative economy and its functions, and to reinforce party organizations at the basic level. 3) The rural socialized service system should be instituted and improved and all state enterprises and institutions related to the rural economy should change their actions to render good services. Cooperative economic organizations in rural areas should improve their services for peasant households. To this end, it is necessary to work out plans for production and construction, and for development of the commodity economy.

Tibet Building More Satellite Ground Stations
HK0107100988 Beijing CEI Database in English 1 Jul 88

[Text] Lahsa (CEI)—Tibet will have satellite telecommunication within the autonomous region when the two ground satellite stations in its Qamdo and Ngari Prefectures are put into use soon.

A ground station was built in Lahsa years ago but it is only used to link Tibet with Beijing and other big Chinese cities.

CEI learned that three more such stations will be set up within this year.

Nepalese Trade Group Visits Tibet
OW0307040388 Beijing XINHUA in English 1335 GMT 2 Jul 88

[Text] Lhasa, July (XINHUA)—Puqing, vice-chairman of the people's government of the Tibet Autonomous Region, met with a Nepalese economic and trade study group led by M. D. Shrestha today in this capital of the region.

The Nepalese officials made a three-week study tour of the counties bordering Nepal on industry, agriculture and animal husbandry, tourism, trade and taxation.

Tibet Capital Starts Public Works Construction
OW0407103188 Beijing XINHUA in English 0153 GMT 4 Jul 88

[Text] Lhasa, July 4 (XINHUA)—The Lhasa city government has spent six million yuan renovating residential buildings since January and hopes to complete 21,200 sq m of buildings by the end of the year.

Over the next three years the government plans to renovate 110,000 sq m of old houses and spend 29.14 million yuan building 83,200 sq m of new houses.

It will renovate 120 public lavatories and build 60 new ones over the next two years.

The government has also earmarked 6.85 million yuan to upgrade streets and the drainage system. A water works is expected to be expanded next year, too.

Yunnan Secretary Discusses Procuratorial Work
*HK0507063688 Kunming Yunnan Provincial Service
in Mandarin 1000 GMT 4 Jul 88*

[Excerpts] At the third provincial meeting to give awards to units and individuals advanced in procuratorial work this morning, provincial party committee Secretary Pu Chaozhu spoke on strengthening procuratorial work in an effort to create a good political environment for implementing the reform and opening up policy.

He pointed out: During the past 10 years since the reorganization of our province's procurators offices, while centering on the focal point of state and party work and giving full play to the supervisory role of law, these offices have made important contributions to the correct enforcement of the state law, the guarantee of the four modernizations, and sound implementation of the reform and opening up policy.

In his speech, Pu Chaozhu especially expounded the question of adhering to the criterion of productive forces in procuratorial work. He said: At present, new contradictions and problems emerge in an endless stream. In order to deal with things in accordance with the law and to enforce the law correctly we must dare to judge right and wrong with the criterion of the productive forces, and know how to adopt different concrete measures, suggestions, and methods with the criterion of the productive forces. Only by so doing will we be able to distinguish clearly between right and wrong.

After speaking on the situation in economic development and reforms in our province Pu Chaozhu also expressed his views on strengthening the procurators offices' supervisory role over the state law and keeping party and government organizations honest and free from corruption.

Yunnan's Pu Chaozhu Cited on Current Issues
*HK0307025788 Kunming Yunnan Provincial Service
in Mandarin 1000 GMT 2 Jul 88*

[Excerpts] Yesterday, the 67th anniversary of the founding of the CPC, the party committee of the organs directly under the provincial party committee, and the party committee of the provincial-level organs, jointly held a gathering in Kunming to celebrate the occasion. Pu Chaozhu, secretary of the provincial party committee, made a speech in which he called on the party members throughout the province to carry forward the party's glorious traditions and strive to gain new merit and accomplishments for the reforms. [passage omitted]

Pu Chaozhu said in his speech: The current situation in reforms and economic development is good, but there are also many difficulties and problems. Many very difficult problems that cannot be sidestepped are facing us. As Comrade Xiaoping recently pointed out, we must brave the risks and the storms. The whole party must unify its thinking and pace and work in concert to traverse the difficult pass.

After systematically outlining the ways in which the party is preparing to resolve the problems of prices, wages, enterprise economic returns, and reform of the circulation setup, which are difficult issues in reform, Comrade Pu Chaozhu put forward the following demands:

1. Improve and revamp the party's ideological and political work. There must be a spiritual pillar for national coherence. While stressing economic laws and distribution according to work, we must also stress ideals, morals, and discipline. We must grasp reforms and opening up with one hand and ideological and political work with the other. We should not lay onesided stress on either of these aspects. Our spiritual pillar can only be accomplishing the four modernizations and invigorating China. It is correct and beneficial to stress individuality, democracy, and freedom in the context of this main goal, and it is incorrect and harmful to stress them outside this context. To do so would only throw China into chaos and turn it into a tray of loose sand, and there would be no prospects for the modernization drive.

2. We must keep the party and government organs incorruptible. Our party members and cadres must spontaneously and resolutely boycott and oppose embezzlement, bribery, extortion, and other illegal and criminal behavior. [passage omitted]

3. Rule the party with strictness and strengthen the party's grass-roots building. We must conduct education for the party members to enable them to understand that they must always remember that they are party members. The rectification of the grass-roots organizations must be regarded as a regular task and grasped persistently.

4. A stable social environment is the basic condition for reform and construction. At present, the reforms are faced with very difficult problems, and there are many contradictions. We must step up the building of grass-roots party organizations and political power, to ensure that they will take root among the masses. We must step up the building of democracy and education in the legal system, strive to eliminate bureaucratism, and resolve the contradictions in the budding stage and solve the problems in the grass roots. [passage omitted]

North Region

Japan-Assisted Chengbei Oil Field Productive OW0207114588 Beijing XINHUA in English 0013 GMT 2 Jul 88

[Text] Tianjin, July 2 (XINHUA)—The Chengbei Oil field, China's first up-to-date offshore oilfield in the Bohai Sea, has produced 2.38 million bbl of crude oil since it started full production June 30 last year.

Altogether, 50 oil wells have been drilled in the oil field being developed jointly by Chinese and Japanese companies.

In the first half of this year, the field's per unit production cost was 41 percent lower than in the latter half of 1987.

An official from China's Bohai Petroleum Corporation said eight oil wells have been drilled in another oil field in the Bohai Sea jointly developed by the two countries.

Beijing Seeks To Expand Hi-Tech Development Zone OW0307050788 Beijing XINHUA in English 1346 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Beijing Mayor Chen Xitong wants to make sure a new technology development area in the Haidian District in the northwest of the city progresses smoothly.

At an executive meeting of the municipal government yesterday Chen said that enterprises planning to set up in the area should be examined thoroughly.

He said no "iron rice pot" policy—guaranteeing jobs without regard to output or performance—should be allowed to exist in the zone, which is being expanded to cover some 100 sq km.

Full attention has to be given to efficiency, said Chen in an article in today's "BEIJING DAILY."

The Haidian district is China's largest electronics and computer center. More than 50 universities and 138 research institutes are situated in the area.

Based in Zhongguancun, the area already has 148 non-governmental science and technological firms, most dealing in computers and research. Business turnover last year was 900 million yuan (243 million U.S. dollars).

In addition, an experimental base area has been designated at Yongfeng township, also in Haidian district, the newspaper said.

Beijing Marks Asia Population Day OW0207144688 Beijing XINHUA in English 0800 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Beijing planned seminars, symposiums, speeches and put up posters to mark "Asia's Three Billion Population Day" yesterday.

China's capital, now with a population of nearly 10 million, has found population control crucial to the city's social and economic development.

In response, the municipal government has decided to continue promoting the "one couple, one child" policy and do more in family planning, like making contraceptives readily available, providing more information on pregnancy, and requiring pre-marital physical exams.

Those couples opting to comply with the one-child policy will continue to enjoy preferential policies which include social welfare benefits.

During the 1980s, Beijing's average annual birth rate was 15.9 per thousand and the natural population growth rate has been listed at 9 to 10 per thousand.

but because more women have reached child-bearing age in recent years, Beijing's birth rate jumped to 16.2 per thousand last year.

Hebei's Xing at Shandong Emulation Rally SK0307033288 Shijiazhuang HEBEI RIBAO in Chinese 10 Jun 88 p 1

[Excerpts] The provincial government held a provincial radio-television rally this morning to study Shandong's experience. On behalf of the Shandong study and observation delegation cosponsored by the provincial party committee and government, Xing Chongzhi, secretary of the Hebei party committee, gave a report on the delegation's study and observation in Shandong. In his report, Xing Chongzhi summarized Shandong's economic development and its major experience and put forward eight suggestions for our province to draw on Shandong's experience to accelerate our economic development. He said: Through this study and observation, we deeply feel that our province's economic work is backward; however, we are not willing to be backward. We should strive to emulate and catch up with Shandong. We should launch an emulation drive and see who can study better and work quicker than others.

Yue Qifeng, Hebei governor and deputy secretary of the provincial party committee, presided over the rally. Cadres from party and government organs at and above the county level and members of leading bodies of large and medium-sized plants and mining enterprises listened to and watched the rally at their work places. Leading comrades of the provincial party committee, People's Congress Standing Committee, government,

CPPCC Committee, and Discipline Inspection Commission and various provincial-level departments concerned, attended the rally. [passage omitted]

In the near future, the provincial party committee will hold a meeting of responsible persons of various prefectures, cities, and provincial-level departments to report their situations in studying and discussing Shandong's experience and implementing the provincial party committee's suggestions and to exchange their experience in this regard.

Northeast Region

Northeast Opens Wider to Outside World
OW0207100788 Beijing XINHUA in English
1512 GMT 1 Jul 88

[Text] Shenyang, July 1 (XINHUA)—China's northeast border and coastal cities and towns have been opening wider to attract more partners from the West and from across the borders.

Observers believe that the aim is make the area a better market for the Soviet Union, Eastern Europe, Northeast Asian countries, and the West.

Just a year ago, the area had only one coastal city—Dalian—open the outside world. But in April this year, the central government approved the opening of other coastal cities, including Yingkou, Jinzhmu and Dandong, and 16 counties in Liaoning Province.

Now traders in the Liaodong Peninsula have dealings with businessmen from 140 countries and regions directly or through their offices in the port cities. In Dalian alone, there are some 70 foreign commercial firms or offices, said a city official.

Business has been brisk in the area. The garment-making enterprises in the Dalian area have received foreign orders worth a total of 8 million U.S. dollars since the beginning of this year.

The Italian Pianti Company has secured an Italian Government loan worth 300 million U.S. dollars for the Anshan Iron and Steel Complex, the largest in the country, for the purchase of Italian equipment to produce 500,000 tons of seamless steel pipes a year.

A Liaoning official said that the province has imported 2,900 items of technology and 20,000 sets of equipment for the renovation of outdated enterprises over the past years.

Some of the enterprises in the peninsula are now able to sell their goods directly to foreign buyers, send personnel to study the world market, and invite foreign customers for visits with the minimum of red tape.

Thanks to the implementation of the new policy, many enterprises have begun to sell more products on the world market. "Last year saw the area export goods worth 1.5 billion U.S. dollars—a 32 percent increase over the previous year," he said.

And the goods exported in the first 5 months of this year increased by 35 percent over the same period last year, he added.

Also, more foreigners have invested in the area. Now there are over 230 foreign-funded enterprises in the peninsula and 90 percent of them have been making profits. "This success has attracted more investors," the official said.

In the northern part of northeast China, the cities of Manzhouli, Suifenhe, Heihe and Tongjiang have revived their commercial contacts with their Soviet counterparts across the border. And since the beginning this year, the Central government has allowed another seven border settlements—Huichun, Mishan, Hulin, Raohe, Luobei, Jiaqin, and Mohe—to act as commercial courts, mainly doing business with the Soviet Union.

The goods imported from the Soviet Union and Eastern European countries include lumber machines, electrical appliances, chemical fertilizer, and aquatic products. Exports are daily-use goods and necessities, textile products, and agricultural and sideline products.

"We imported and exported over 4 million tons and over 100 varieties of goods through the above towns last year—double the figure for 1982," said an official from the State General Administration of Customs.

"Both parties are very interested in the border trade, which requires no foreign currencies as it is barter transactions conducted in flexible ways. The goods are transported by ferry, truck, or railway.

"During the first 5 months of this year, the contracts signed on border trade involved a value of 200 million Swiss francs, 20 percent more than the value during the 1982-1987 period," said Tu Xianzhong, deputy governor of Heilongjiang Province.

To further improve investment conditions, the central and local governments have invested over 10 billion yuan in 100 local infrastructure projects.

Heilongjiang's Sun at United Front Conference
SK0307034888 Harbin HEILONGJIANG RIBAO
in Chinese 12 Jun 88 p 1

[Excerpts] How can united front work be made to adhere to the party's basic line and serve the central task of economic construction under the new situation of reform, opening up, and rapid development of the commodity economy? At the 3-day provincial united front

work conference sponsored by the provincial party committee, directors of the united front work departments from various prefectures, cities, colleges, and universities, and principal responsible persons of various democratic parties and mass organizations extensively studied and discussed this issue. The conference also relayed guidelines of the national conference of united front work department directors, the national work conference of democratic parties and nonparty intellectuals, and the national economic united front work conference and worked out concrete plans for future work.

Leading provincial party and government comrades, including Sun Weiben, Hou Jie, Wang Luming, Wang Zhao, Zhou Wenhua, Xie Yong, He Shoulun, and Zhang Li, attended the conference. The conference was presided over by Meng Chuansheng, director of the United Front Work Department of the provincial party committee.

Zhou Wenhua, deputy secretary of the provincial party committee, gave a speech on how to display the special role of the united front. He stressed that we should fully understand the important strategic status of the united front during our country's initial stage of socialism and fully comprehend its special functions and role in realizing the party's basic line. [passage omitted]

Sun Weiben, secretary of the provincial party committee, gave a speech on the major points and central issues of united front work under the new situation. He said: The united front should consider the difficult points in construction and reform and the "heated points" which the masses are much concerned about as their own major points of work. The party Central Committee has recently put reform of commodity prices and the wage system on their agenda. This has set two major tasks for us. The first is how to develop production, raise efficiency, and intensify our ability to withstand the economic strains in price and wage reforms. The second is how to guarantee a stable social environment during the readjustment in the relations of social interests. In these two aspects, the united front can do a lot. The united front may publicize the party's stand and major plans and win comprehension and support from the democratic parties, mass organizations, and social figures from all circles. During construction and reform, the united front should realistically treat each other with all sincerity and share weal and woe, work with one heart and one mind, overcome difficulties with concerted efforts, and contribute to establishing a new order for socialist commodity economy and improving the socialist democratic political system.

DPRK Delegation Arrives in Jilin Capital
SK0307040688 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 28 Jun 88

[Text] At the invitation of the Jilin provincial people's government, a seven-member friendly delegation from Chagang Province of the DPRK, headed by Han Ik-su,

vice chairman of the Changang Provincial Administrative and Economic Guidance Committee, arrived in Changchun on visit by train on 28 June.

Vice Governor Liu Xilin and (Li Zeche), director of the provincial Foreign Affairs Office, received the delegation at the railway station.

On the evening of 28 June, He Zhukang, secretary of the provincial party committee and governor, met with the Korean guests at Nanhu Hotel. Both sides talked freely about the great friendship which was cemented with the energies of the Chinese and Korean peoples and the friendly relationship between the two provinces.

After the meeting, Comrade He Zhukang hosted a banquet in honor of the entire visiting delegation.

The visiting delegation will leave for Beijing, Jilin, and Tonghua Cities to continue its visit on 30 June.

Quan Shuren at Liaoning Development Meeting
SK0307224388 Shenyang LIAONING RIBAO
in Chinese 14 Jun 88 p 1

[Text] Liaodong Peninsula's export-oriented economic construction should not remain in a state of mobilization and call. All localities and all trades and professions should begin to make specific plans and conduct appraisals and should mobilize scientific and technological circles to participate in the general planning discussions. This statement was put forward by Quan Shuren, secretary of the provincial party committee, at a meeting to offer plans and suggestions for accelerating Liaodong Peninsula's export-oriented economic construction.

The meeting was held by the provincial Scientific and Technological Association from 10 to 11 June. Attending the meeting were 83 experts and scholars from 27 societies throughout the province. A total of 83 countermeasures and suggestions were raised at the meeting. These measures and suggestions involved 41 topics in agriculture, forestry, aquatic products, animal husbandry, machinery, metal, geology, the chemical industry, communications, banking, and management and provided important reference for the provincial party committee, the provincial government, and the departments concerned to make policy decisions.

Quan Shuren, Li Changchun, Sun Qi, Wang Julu, Feng Yousong, Xiao Zuofu, and Yue Weichun and responsible comrades of departments concerned listened to speeches given by experts. Quan Shuren, secretary of the provincial party committee, gave a speech in which he said: It is necessary to arrange by priority some key issues concerning the opening of Liaodong Peninsula to the outside world, list them one by one, and organize the relevant experts throughout the province to appraise and analyze them comprehensively in order to put forward practical and scientific plans.

He Zhukang Visits Jilin Armed Police Corps
SK0407044588 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 29 Jun 88

[Text] On the afternoon of 27 June, Comrade He Zhukang went to organs of the Jilin Provincial Armed Police Force to visit armed police officers.

The provincial Armed Police Force has contributed to the province's current struggle to deal strict blows to serious criminals and to defend the province's economic construction.

Comrade He Zhukang said to leaders of the police corps: Your tasks are very heavy and hard. (Wang Puxin), leader of the police corps, and (Li Xinzhi), political commissar, gave briefings on the police corps' various fields of work.

Comrade He Zhukang said happily: It is very important for the police corps to firmly grasp agricultural and sideline production. He said: In our society, there are still some unstable factors. It is necessary to handle them properly. Our province's social security is comparatively stable.

We should attribute our success to your meritorious service. We need your support to help us successfully carry out our work. You are our province's important armed force and you must do a good job in cultivating yourselves.

He also extended regards and thanks to all cadres and fighters of the police force.

Jilin Successful in Controlling Population Growth
SK0407044988 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 30 Jun 88

[Text] Since the 3d plenary session of the 11th party Central Committee, our province has effectively brought the population growth rate under control. The province's natural population growth rate was reduced from 13.87 per thousand in 1978 to 12.97 per thousand in 1987. The number of newborn babies was reduced by 4 million in 10 years.

Party and government leading comrades throughout the province have paid full attention to family planning work, have placed the control of population growth rate and the development of economic construction projects in a position of equal importance, and have made conscientious efforts to attend to family planning work.

According to the province's actual conditions, the province formulated family planning policies of long-term stable importance. Family planning departments at various levels throughout the province have persisted in the principle of conducting propaganda and education on

birth control and contraception and have generally promoted education on good-birth, good-cultivation, good-education, and scientific knowledge of marriage and childbirth. Cadres of family planning departments have established close contacts with the masses so as to ensure that family planning work is fair and reasonable and that the masses are satisfied with the work. Implementation of the family planning policies has become a conscious deed of the people throughout the province.

In 1987, 92.03 percent of the province's total women of child-bearing age attained the requirements for family planning work and 26.63 percent of the households pledged to give birth to a child, accounting for 74.83 percent of all one-child couples.

Liaoning Secretary at Meeting To Appoint Cadres
SK0307034188 Shenyang LIAONING RIBAO
in Chinese 11 Jun 88 p 1

[Excerpts] A meeting was held on the afternoon of 9 June at the official business discussion office of the provincial People's Congress Standing Committee. At the meeting letters of appointment were issued to 36 cadres, including those appointed after the term change of the seventh provincial People's Congress Standing Committee; the secretary general of the provincial government and department heads, bureau directors, and section chiefs; and the vice president of the provincial Higher People's Court.

More than 160 people attended the meeting, including Quan Shuren, secretary of the provincial party committee; Sun Qi, deputy secretary of the provincial party committee; Shang Wen, member of the Standing Committee of the provincial party committee, Lou Erkang, Tang Hongwang, Feng Yousong, Cheng Jinxiang, and Li Jun, vice chairmen of the provincial People's Congress Standing Committee; members of the provincial People's Congress Standing Committee in Shenyang; Li Changchun, governor; Zhang Huanwen, president of the provincial Higher People's Court; Xu Sheng, chief procurator of the provincial People's Procuratorate; principal responsible persons of provincial-level departments, bureaus, commissions, and offices; and heads of personnel affairs offices.

The appointment of the 36 cadres to whom letters of appointment were issued at this meeting was approved through conscientious discussions at the second and third Standing Committee meetings of the provincial People's Congress. [passage omitted]

Governor Li Changchun made a speech at the meeting. On behalf of the provincial government, he first extended thanks to the provincial People's Congress Standing Committee for its appointment and support. [passage omitted]

Quan Shuren, secretary of the provincial party committee, said in his speech that the 5-year term of office of this government is a key period of deepening of reform and of decisive significance in rejuvenating Liaoning. He stressed: We should seek unity of thinking and action and make concerted efforts to be successful in the work in all fields. It is necessary to continuously deepen reform. We should regard as our fighting goal the rejuvenation of Liaoning and realization of the four modernizations. All party-member cadres and public officials must maintain the work style of performing official duties honestly; carry forward the glorious tradition of building the country through arduous struggle, plain living, and thrift; and struggle resolutely against bureaucracy and decadent phenomena. We should worry and plan ahead of our subjects and enjoy only after we are assured of peace and happiness; withstand the trials in the course of being in power, conducting reform, and opening to the outside world; be strict with ourselves; set an example to the people; and play an exemplary role in performing official duties honestly and abiding by the law. We should resolutely enforce the party's line, principles, and policies; observe discipline; seek unity of action; and make concerted efforts in order to make new contributions to rejuvenating Liaoning's economy and socialist modernization within the term of office.

On behalf of the Standing Committee of the provincial People's Congress, Chairman Wang Guangzhong extended greetings to the newly appointed cadres. [passage omitted]

Investors Attracted to Liaoning Special Zone
OW0207203588 Beijing XINHUA in English
1332 GMT 2 Jul 88

[Text] Shenyang, July 2 (XINHUA)—More and more Chinese and foreign investors are being attracted to the Dalian Economic and Technological Development Zone, some 60 km from Liaoning Province's Dalian city proper.

By the end of May, a total of 37 solely foreign-owned enterprises, Sino-foreign joint ventures and cooperative enterprises, involving a total investment of 650 million yuan, had been set up in the development zone, said a local economic official.

Meanwhile, investors from other parts of the Chinese mainland have also established 40 enterprises in the zone, involving an investment of 240 million yuan.

The official attributed the success to the efforts adopted by the development zone to improve the investment environment in the region.

In the past three years, a total of 360 million yuan has been invested by the development zone in this respect.

A 4,000-line computer-controlled telephone system imported from Sweden has been installed in the zone, and an expressway from the zone to Dalian City will open in October.

at the same time, more than 40 policies and regulations have been worked out to protect the interests of the investors in the zone.

The development zone, which opened three years ago, covers an area of 20 sq km, of which eight sq km have already been developed, the official added.

Liaoning's Dalian Opens Wider to Outside World
OW0107130988 Beijing XINHUA in English
1131 GMT 1 Jul 88

[Text] Dalian, July 1 (XINHUA)—Dalian, a port city in Liaoning Province, has developed into a major trading port and industrial and tourist center in northeast China since it started to open wider to foreign investors in 1984.

The city signed 649 contracts with foreign firms for imports of technology involving 449 million U.S. dollars in the past four years. So far, nearly 80 percent of these contracted projects have gone into operation.

More than 3,000 new products have been developed thanks to technical upgrades carried out on one-fifth of the 3,000 industrial enterprises in the city.

Since local trade departments were authorized to conduct direct import and export transactions with other countries, the city has exported 370 kinds of products with local origins to over 80 countries. Last year's exports amounted to 600 million U.S. dollars, a 46 percent increase over the previous year. The figure is expected to double this year, said a local trade official.

The city is preparing to build a number of export-oriented enterprises, including a refinery with an annual processing capacity of 500 billion liters of oil, and plants to manufacture chains, lightweight gas, and special steel at the Dalian Economic and Technological Development Zone, 20 km from the city proper.

There are now 136 foreign-funded enterprises in Dalian, and negotiations are now under way for another 100 joint ventures to be set up in the city.

Sixty-four foreign financial institutions and firms have opened branches in the city. Dalian has also forged links with a dozen countries, including Japan and the United States, for the exchange and training of technical personnel.

'Surplus' Liaoning Workers Get New Jobs
OW0407130888 Beijing XIN HUA in English
0747 GMT 4 Jul 88

[Text] Shenyang, July 4 (XINHUA)—More than 50,000 surplus workers have found new jobs after being displaced in the streamlining of factory operations here in the capital of northeast China's Liaoning Province, "ECONOMIC INFORMATION" said today.

Labor restructuring is being carried out in half of the city's 800 factories.

According to a survey by the city, about 30 percent of the 1.3 million workers in state enterprises are surplus.

The heavy industrial city plans to reassign work for the 300,000 surplus workers over the next two or three years. They are being encouraged to start new enterprises and services.

Dadong Port Construction Completed in Liaoning
HK0407141188 Beijing CEI Database in English
4 Jul 88

Shenyang (CEI)—Construction of the Dadong Port of Dandong City in Northeast China's Liaoning Province was completed recently.

The new port, located on the northernmost section of China's 18,000-km coastline, is an ice-free port. A 5,000-ton wharf, which can handle 260,000 tons of sundry goods a year, has been built.

The completion of the new port is of great importance to the development of the "gold coast" of east Liaoning Province.

Northwest Region

Shaanxi Issues Regulations To Improve Work Style
HK0207005788 Xian Shaanxi Provincial Service
in Mandarin 0400 GMT 1 Jul 88

[Text] According to SHAANXI RIBAO, the provincial party committee and people's government recently issued a number of regulations on improving work style and government style. These regulations are being printed and distributed to the party organizations and people's government at all levels throughout the province, which are to supervise their implementation.

The provincial party committee stipulates that the members of its standing committee, especially the secretary and deputy secretaries, should participate little or not at all in greeting or sending off guests, in posing for photographs, and in cutting ribbons, writing inscriptions, and so on, except in the case of major provincial-level activities. This is to avoid spending too much of their limited time and energy on routine matters. The regulations also stipulate that propaganda reportage on

the work activities of leading comrades of the provincial party committee must be appropriate. Aside from major provincial-level celebrations, major conferences, and foreign affairs activities, their routine work activities should in general not be reported.

The provincial party committee and government also lay down detailed regulations on strengthening unity and eliminating internal wrangling in the leading organs, giving scope to democracy, accepting supervision, eliminating endless meetings and piles of documents, improving work efficiency, setting strict demands on oneself, practicing thrift and diligence, and opposing waste. The regulations express the hope that all sectors will supervise the provincial party committee and government accordingly.

Shaanxi Reports Problems in Importation
HK0307015988 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 2 Jul 88

[Text] Shaanxi has scored marked success in importing technology and equipment from abroad during the past 9 years of reforms, but there have also been many problems. The departments concerned recently investigated 150 projects imported since 1984. The results showed that over 80 percent of these have reached advanced or relatively advanced international standards, and played a positive role in improving the province's production technology standards and boosting the market competitiveness of its products. However, the following problems also exist in this importation work:

1. The structure of imported projects is not rational enough and there are serious instances of blind and duplicate imports. Consumer goods production lines account for 70 of these 150 imported projects, 77 are geared to the interior market, and 1/3 of them are duplicate projects. Hence some of these imported projects have had to be transferred elsewhere or else left idle for long periods.

2. Much importance has been attached to importation and little to digestion. None of these 150 imported projects has yet reached the designed production capacity. The main reason is that certain enterprises and departments in charge have failed to pay attention to digesting imported technology. In addition, there was a failure to make full prior preparations, with the result that the equipment has been unable to operate at full load.

3. The investment has expanded, production costs have risen, economic returns are not good enough, and investment takes a long time to recover. The originally planned investment for these 150 imported projects was 350 million yuan, but the actual investment amounts to 500 million, exceeding the original plan by over 40 percent. The increase in investment is bound to affect actual returns and increase the enterprises' burden in repaying capital plus interest. According to the investigation, 20

of these imported projects that have gone into production are running at a loss, and 18 are making neither profit nor loss. Although some projects are yielding a profit, this is far below the estimated economic returns. As a result the time needed for recovering investment has been extended from an average of 3 years, as originally estimated, to 5 or 6 years.

4. Not many of these projects are able to earn foreign exchange from exports. Only 16 percent of these 150 imported projects are able to earn foreign exchange.

Xinjiang To Revive Silk Road as Economic Link
HK0507022888 Beijing CHINA DAILY
in English 5 Jul 88 p 2

[By staff reporter Yuan Zhou]

[Text] Xinjiang Uygur Autonomous Region, once the site of the ancient Silk Road, is set to restore through more foreign investment its forgotten reputation as an East-West economic link.

Tomur Dawamet, governor of China's largest province, announced yesterday afternoon in Beijing a series of preferential provisions for foreign investment and 93 joint venture projects in the region under the theme "Revive the Ancient Silk Road."

He said the preferential rules have been the most flexible and favourable so far in abolishing unnecessary restrictions on foreign investment, exemptions and reducing taxes and fees, and granting decision-making power to joint ventures.

A senior Xinjiang Uygur official told CHINA DAILY that to attract foreign investment to the autonomous region—one of China's least developed areas—new rules have been issued that are more favourable than those of more developed areas.

For instance, joint ventures that will operate for 10 years or more will be allowed a 30 percent reduction in income tax for 10 years following the expiration of the joint venture agreement and a more favourable term for the first five years.

In an export-oriented enterprise, the income tax for the year will be reduced to half if the value of exports amounts to 50 percent of its total products.

The Provisions of the People's Government of Xinjiang Uygur Autonomous Region To Encourage Foreign Investment, which has eight chapters, outline the central government's special policies for the region.

The 93 projects are mainly in agriculture, animal husbandry, energy, transportation, communications and processing of raw materials.

Tumur said his government is offering many alternatives for foreigners to set up joint ventures, including wholly foreign-owned companies, contracted ventures for processing raw materials and assembling parts, and projects for technology transfer.

He announced that another economic conference for foreign investors will be held in Urumqi, Xinjiang's capital city, in September.

Xinjiang now has established economic ties with 50 countries and drawn investors from 21 countries and regions. The region's total foreign investment in 1987 alone was 1.5 times more than that of the whole Sixth Five-Year Plan period (1981-1985).

U.S. 'Interference' in Taiwan Issue Viewed
OW0107184488 Beijing in Mandarin to Taiwan
0205 GMT 28 Jun 88

["Rambling Talk on State Affairs," by Liu Yeye]

[Excerpts] Yesterday I talked about the historical evolution of Sino-U.S. relations. Generally speaking, bilateral relations have developed since the resumption of diplomatic relationship. Particularly unprecedented development has been witnessed in bilateral economic relations. However, this development has run into many difficulties and obstacles, the most important being the Taiwan problem. Problems arise in Sino - U.S. relations because this major obstacle continues to exist. Thus it seriously affects the normal and further development of bilateral relations. The shadow overhanging bilateral relations will not go away unless this major obstacle is swept away.

As everybody knows, the matter which concerns most the compatriots both in China and overseas is the peaceful reunification of the motherland, since peaceful reunification is in accord with the fundamental interests of our country and nationality. Interference by the United States is one of the keys to the fact that Taiwan and the mainland are still not reunited. U.S. officials have repeatedly said that they have no intention of involving themselves in the matter of the reunification of the two sides of the Taiwan Strait. But in reality, not only has the United States involved itself in Taiwan affairs the past, but it also tries to obstruct the reunification of China in one way or another and perpetuates the division between the two sides of the strait.

U.S. involvement in the Taiwan affair can be traced to over 100 years ago. [passage omitted on U.S. involvement with Taiwan from 1853 through 1950s]

After the defeat of the U.S.-supported Kuomintang in the Chinese Civil War, the U.S. political circles raised heated debates over the issue of China. The Democrats and Republicans blamed each other for losing China. This fully reveals that from very early on, United States treated Taiwan as its property. [passage omitted]

In the speech he delivered in Kansas on 6 July 1971, U.S. President Nixon termed China one of the world's five power centers, saying China would become a strong economic power. He said that the United States should take the first step to improve Sino-U.S. relations. The Shanghai Communique saw that day in 1972. China and the United States formally established diplomatic relations in 1979. The United States bowed to the fact and recognized that the Government of the PRC is the only legitimate government of China and that Taiwan is part of the territory of China. However, there are some people in U.S. political circles who refuse to mend their ways and always covet Taiwan. Three months after China and the United States established diplomatic relations, the U.S. Congress passed the Taiwan Relations Act. The act placed Taiwan under U.S. protection and

called for the U.S. to continue offering Taiwan the so-called defense service and to maintain a military balance in the Taiwan Strait. [passage omitted]

What right does the United States have to pass a law to protect Taiwan, since it recognized the PRC Government as the only legitimate one of China and that Taiwan is part of China's territory? This gross interference in China's internal affairs was of course, from the very beginning, resolutely opposed by China.

Facts show that the statement the United States made in public on noninvolvement in the Taiwan affair is simply talk to deceive the world. Its involvement in the Taiwan problem has a long history; it is still involved now. As everybody clearly knows, were it not for U.S. involvement, the Taiwan problem would have been solved long ago. [passage omitted]

Listeners and friends, Taiwan is a part of China's sacred territory. Solving the Taiwan problem and realizing the goal of the peaceful reunification of the motherland is our internal affair. We brook no foreign interference. However, as we have stated above, the United States has involved itself in the Taiwan problem from very early on, and the involvement is very deep, at that. Therefore, the United States bears responsibility in the Taiwan problem, and it can do something about it. There is a saying in China: Whoever started the trouble should end it. The United States single-handedly created the Taiwan problem by its involvement. Therefore, the United States should take responsibility and by its own initiative remove the obstacles to the peaceful reunification of China. By doing something concrete instead of merely paying lip service, the United States could help remove the major obstacle that affects Sino - U.S. relations. Now is the time for the United States to show determination and concrete action.

Executive Yuan President Faces Pressure
HK0207021588 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1347 GMT 29 Jun 88

[Report: "Some People in Taiwan Take Moves To 'Force Yu To Step Down'"—ZHONGGUO TONGXUN SHE]

[Text] Hong Kong, 29 Jun (ZHONGGUO TONGXUN SHE)—Recently there has been a move in Taiwan to force Executive Yuan President Yu Kuo-hua to step down. People call it the "Down-With-Yu Operation."

On 21 June, a Taiwan daily took the lead in publishing a report on a survey conducted among Taiwan elites, which showed that Yu Kuo-hua, among 9 other cabinet members, ranked last in terms of popularity, while 80.9 percent of the interviewees believed the cabinet had to be reorganized.

On 24 June, more than 40 Legislative Yuan members, including Chao Shao-kang and Li Sheng-feng who belong to the ruling party, issued a statement, pointing out that

although the Yu Kuo-hua cabinet had done many jobs in the past 4 years or so, all these jobs were done either by late Chairman Chiang's instructions or because of pressure exerted by others. The statement complained that the present cabinet is obviously too conservative to respond to the public's desire. Therefore, these Legislative Yuan members strongly demanded Yu Kuo-hua's resignation and the establishment of a new cabinet that would be capable of leading the Taiwan people through the transitional period.

On 28 June, Wu Yung-hsiung, a KMT [Kuomintang] member of the Legislative Yuan, accused Yu Kuo-hua in the Legislative Yuan of being involved in a bribe of more than new Taiwan \$326,000, and a scandal. This caused a public outcry in Taiwan.

According to a foreign news agency report, as revealed by a member of the Legislative Yuan, at the 13th KMT National Congress to be held next year, one-third of the delegates would demand a reorganization of the cabinet.

With regard to the above-mentioned actions aimed at forcing him to step down, Yu Kuo-hua himself stressed when he was interviewed a few days ago the achievements in economic development gained by the cabinet under his leadership. He pointed out: During the period of 4 years, Taiwan's annual economic growth rate exceeded 10 percent in 3 years. During one of the 4 years, the growth rate was 5 percent. He believed that the 10 percent growth rate was the highest in the world. Regarding the reorganization of his cabinet, he maintained that this would be determined by the situation after the 13th national congress in addition to consideration of various factors. Any change must not be effected immediately.

However, Lin Yang-kang, chief of Taiwan Judicial Yuan, stated last Sunday that in the interest of political stability and the continuity of development, it would be more appropriate for Yu Kuo-hua to continue to lead the Executive Yuan.

Aims of 13th Kuomintang Congress Discussed
HK0107152688 Beijing ZHONGGUO XINWEN
SHE in Chinese 0832 GMT 1 Jul 88

[Commentary by staff reporter Wang Jie (3769 2212):
"The 13th KMT Congress Attracts People's Attention"]

[Text] The 13th KMT [Kuomintang] Congress is scheduled to start on 7 July in Taipei. This congress will discuss a bill on KMT doctrine and thought, a bill on its political program and policies, and a bill on the policy toward the mainland. Some Taiwan newspapers describe the congress as a significant congress that "will inherit from the past and usher in the future" and as one that "will open up a new historical stage."

This congress will be convened in special internal and external situations and at a time when both sides of the strait are maintaining special relations. It will bring

about a transfer in the political structure of the "post Chiang Ching-kuo era" and shoulder the heavy task of making a breakthrough in the existing political, economic, and "diplomatic" predicaments.

The KMT is now encountering pressure from four sides, that is, from the obstructions by the conservatives in the KMT, from the opposition parties contending for "larger influence," from the powerful peasants' and workers' movements, and from serious blows from the international community. Faced with this situation, the KMT must work out an internal policy that is continuous and practical in nature, and this allows no delay. A top Taiwan official pointed out that to find a way out of these predicaments, Taiwan must adopt a "more open, more rational, more practical, and more democratic" policy.

The formulation of a "new policy toward the mainland" is the focus of attention of the people on both sides of the strait. Since the mainland issued a "note for the Taiwan compatriots," the "nine-point proposal," and the "six-point program," the KMT authorities have no alternative but to make certain changes leading to relaxation of relations between the two sides of the strait. Relaxing control over family visits is a step forward in breaking the estrangement between the two sides of the strait for the last 40 years. Apart from this, the KMT has also adopted flexible methods with regard to some specific matters, such as allowing family visits, relaxing control over the import of mainland agricultural and industrial products to Taiwan, permitting some mainland publications to enter Taiwan, and granting the International Red Cross approval to deliver letters. All this indicates that the KMT is also changing even while obstinately implementing the "three no's" policy. No wonder an article in a Taiwan newspaper said that the "three no's" policy is undergoing a "qualitative change." This "qualitative change" is welcomed by the public because it follows the development of the situation, corresponds to the wishes of the public, and complies with reality.

An academic suggested dividing the relations between the two sides of the strait into "three stages." In the first stage "people-to-people, one-way, and indirect" contacts will be allowed; in the second stage there will be "two-way but indirect" contacts; and in the third stage "two-way and direct" contacts will be permitted. Viewed from the actual situation at present, the KMT is trying to control the exchanges between the two sides of the strait within the narrowest scope of "people-to-people, one-way, and indirect" contacts, because it still persists in the "three no's" and "anticommunist" policies. This has aroused strong dissatisfaction among the people on both sides of the strait, who have strongly demanded the abolition of the "three no's" policy and the establishment of the "new policy toward the mainland."

What is the "new policy toward the mainland"? Judging from what people in and outside Taiwan have said, this policy consists of the following three aspects: First, it

must take into account the interests of the nation and the people on both sides of the strait; second, it must include historical viewpoints, have a rational and practical basis, and be able to forecast and promote the development of the situation; and third, it must provide explicit stipulations on how problems arising in the course of contacts between the people on both sides of the strait should be resolved. Whether this "new policy toward the mainland" can be approved by the coming congress depends on the boldness of vision and farsightedness of the KMT. The public is waiting.

On 15 June, the Standing Committee of the KMT Central Committee basically approved the three principles of the "policy toward the mainland," such as "drawing a demarcation between the CPC and China, separating the 'three no's' policy from nongovernmental affairs, and taking different attitudes toward the mainland compatriots and the CPC regime." Once the principles are published, there are sure to be all sorts of comments. A commentary in Taiwan's MIN CHUNG JIH PAO pointed out: First, these "three reasons" "are just offering an argument and do not have any new meaning; second, "people are puzzled" about "how to separate"; and third, there is no specific aim in mind and therefore "actual problems will remain unresolved."

The KMT "policy toward the mainland" has an important bearing on the development of the situation on both sides of the strait and involves Taiwan's future. Recent remarks by some KMT members indicate that since the door has been opened, it cannot be closed; but the door will not be opened wider, nor will a bigger step be taken. This may be a "small-step dance" to play for time. As a matter of fact, "playing for time" is not the best policy, because it is not good for the country, for the people, and for the KMT itself. If the KMT continues to play for time, it will lose the excellent opportunity and the

favorable conditions. This will arouse stronger dissatisfaction among the people. Comments keep coming from various circles that the KMT "is going against popular will," "is trying to escape reality," "is mentally afraid of the CPC," "is at its wit's end," and "is trying to build a type-B independent Taiwan." A boat can float on water, but water can submerge a boat, too. The KMT will come to no good end if it continues to "play for time." The basic stand of the KMT is that "there is only one China" and that "China must be reunified." "Taiwan's future rests on the mainland" is a concept the KMT has identified. How can it depart from this historical track if it wants to "open up a new historical stage"?

Compatriots May Visit Relatives Jailed on Mainland
OW0107152688 Beijing XINHUA in English
0716 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—Taiwan compatriots are now allowed to visit relatives or friends serving prison sentences on the mainland, today's overseas edition of the "PEOPLE'S DAILY" says.

An official from the Ministry of Justice said prisons and reeducation units have been directed to accommodate visits from Taiwan compatriots.

Gifts of food and money (including foreign currencies) to jailed relatives and friends may exceed normally tolerated limits, the official said.

Gifts other than food and daily necessities will be registered and kept by wardens until the prisoner is released.

Provincial and municipal departments of justice have the right to approve applications for visits.

Compatriots from Hong Kong and Macao also have the same rights as those from Taiwan, the official said.

'Nepotism' Among Kuomintang Leaders Detailed
HK0507082188 Hong Kong HONGKONG STANDARD
in English 5 Jul 88 p 2

[Text] Nepotism seems more pronounced among Chinese power-brokers than other people. This "politics with Chinese characteristics" is as strong in Taiwan as on the mainland.

And the coming 13th KMT [Kuomintang] Congress will see a steady rise of the "princes"—sons and daughters of high officials who made Taiwan what it is. Among them:

Chen Li-an, 51, chairman of National Science Council and eldest son of the alter vice-president, Mr Chen Cheng. One of the best and brightest of the younger lot, he has good connections with the veterans, the Army and the administration. A typical U.S.-trained technocrat, he first concerned himself with education in Taiwan. But in 1979 he became director of the organisation department from where he catapulted to the post of deputy secretary-general. In 1984 he was made head of the National Science Council, and then moved into the Central Standing Committee.

Dr Lien Chan, 52, Vice Premier of the Executive Yuen is the son of the late presidential adviser, Mr Lien Cheng-tung. He holds a doctorate in political science, has worked in areas as diverse as foreign affairs, transportation, finance and defence. No surprise that Taiwan journalists describe him as "the most knowledgeable person in today's Cabinet". With a Taiwanese father and a mainlander mother, it is also no surprise that he has moved to take over a new and highly sensitive area: home visits and Hong Kong and Macao affairs.

James Soong, 46, deputy party secretary-general, is the son of KMT veteran Soong Ta. His political career began in 1974 when he became secretary of the Executive Yuan. Four years later, he was made the personal secretary to the late President Chiang Ching-kuo, and entrusted with overseeing the vital Information Bureau, and later the Department of Cultural Affairs.

Dr Fred Chen, whose grandfather and father were KMT high officials, has been the "underground" ambassador to the United States since 1982. Holding a doctorate from Yale, he was first secretary to the late Vice-president Chen Cheng before moving up to be secretary to President Chiang. He had more than 20 years experience in diplomacy before his mission in the States began in 1982. Eloquent, knowledgeable, he is not known to suffer fools. But no one doubts that he has been a diplomat of the first order; both Americans and Taiwanese would applaud his appointment to the Cabinet, possibly as Defence Minister.

Wu Po-hsiung, 50, comes from a wealthy family with close links to the Chiangs. A native Hakka, he had been active in politics since the age of 29 when he became the youngest member of the Taiwan Provincial Assembly.

He moved out of district circuit to become director of the Central Committee Secretariat in 1983. The following year he became Minister of the Interior. He is highly-regarded, but many still say he owes his rise to "connections".

Ma Ying-jeou, the young deputy Secretary-General has earned himself a reputation as the "best salesman of KMT" with his knowledge and eloquence. One American journalist admitted, "We all know that he is covering the KMT, yet we are convinced by him." This Harvard-trained bureaucrat is very open-minded, and has conceded that if the KMT ever lost out in free elections, it was prepared to be an opposition party. Most KMT people do not countenance such a possibility. Mr Ma not only wins the appreciation from foreign journalists, but also from the KMT veterans. It is no doubt that he will have a brighter prospect in the 13th congress.

Though the Chiang Dynasty has ended with the death of president Chiang Ching-kuo, the family influence has not entirely disappeared. Major members of the family like Mr Chiang Wei-kuo, Chiang Hsiao-wu, Chiang Hsiao-yung, Chang Hsiao-yen, Chiang Hsiao-chih are elected delegates to the congress, and are expected or trying to enter the Central Committee.

If that is the case, together with Madam Chiang, all major members of the Chiang family will be in the high leading level of the KMT to continue their influence in Taiwan's politics.

Kuomintang 'Old Guard' Reasserting Power
HK0507081388 Hong Kong SOUTH CHINA
MORNING POST in English 5 Jul 88 p 7

[By Terry Cheng in Taipei]

[Text] Several last-minute hitches have developed only three days before one of the ruling Kuomintang's [KMT's] most crucial congresses convenes on Thursday.

Following concerted efforts by the rising generation to place younger members in the party, quarters close to the former first family are trying to make the late President's younger brother, General Chiang Wei-kuo, the party's second most powerful man after President Li Teng-hui.

President Li is a native Taiwanese and was chosen as acting party chairman weeks after President Chiang Ching-kuo died in January. During the past few weeks, it appeared increasingly likely that President Li would be unanimously elected as the party's next chairman.

Against this background, some mainland Old Guard have been supporting a move to make General Chiang the KMT deputy chairman as a balance to President Li, even though the president party constitution has not provided for one. And despite a temporary agreement to shelve the debate on the choice of a number two man in the party, insiders said the Old Guard would very likely

spring a surprise at the congress by first proposing amending the constitution to provide for the post of a deputy chairman and then by nominating General Chiang to the post.

A source told the **SOUTH CHINA MORNING POST** yesterday: "Since the congress is meant to be democratic, we can make any proposal we think is appropriate."

General Chiang, who is secretary-general of the National Security Council, is a member of the party's Central Advisory Council. Reports said he was not included in a proposed list for the new Central Committee. But since it only requires five delegates to recommend a candidate and there is wide support for him, it will not be difficult for General Chiang to be elected to the committee.

Another hitch that has developed is the return, after an absence of five years, of one of Taiwan's most powerful figures, General Wang Sheng, who for a long time was a close confidante of President Chiang Ching-kuo. General Wang had been "exiled" to Paraguay as Taiwan's ambassador after he fell from favour in 1983. He was also prevented from returning to Taiwan in January to attend President Chiang's funeral. However, General Wang returned to Taipei on Sunday legitimately as a member of the outgoing party Central Committee. His return caused immediate apprehension among certain quarters, particularly among younger party members.

Should General Wang be elected to the incoming Central Committee and choose to remain in Taiwan, this could complicate the whole political scene, analysts said. His followers and associates in the security and military agencies are still a force to be reckoned with. While it is generally agreed the general would not regain his huge influence within the military, his is the only force that could act as a balance to the current Chief of the General Staff, General Hua Pei-tsun, who has become very close to President Li.

Also returning for the congress as members of the outgoing Central Committee are two other envoys—the ambassador to Panama and a former Chief of the General Staff, Admiral Soong Chang-chih, and Dr Frederick Chien, General Chiang's chief representative on Taiwan's Coordination Council for North American Affairs in the United States.

There are reports Admiral Soong may also be excluded from the party's 13th Central Committee, but Dr Chien, a former presidential secretary and Government spokesman, would most likely rejoin the Central Committee and also be promoted to a more senior Government post.

Executive Yuan Denies U.S. Approach on Bases
OW0507044488 Taipei CNA in English 0254 GMT
5 Jul 88

[Text] Taipei, July 5 (CNA)—The United States Government has not contacted the Republic of China [ROC] regarding a rumored U.S. plan to rent military bases in Taiwan, the Executive Yuan said Monday.

In reply to a written query by Legislator Tsai Sheng-pang about press reports that Commander Ronald J. Hays of the U.S. Pacific Command had said the U.S. might rent ROC military bases after leases for its Philippine bases end, the Executive Yuan said the Government has never been approached by the U.S. Government.

Under such circumstances, the ROC Government is not prepared to make any comment, the Executive Yuan said.

However, the Executive Yuan pointed out that it is the established policy of the ROC to remain in the democratic camp. As the ROC on the anti-communist bastion of Taiwan becomes increasingly strong, the nation is expected to make greater contributions to regional peace and security, it said.

Tariff Cuts Improve Import-Export Balance
OW0407045688 Taipei CNA in English 0244 GMT
4 Jul 88

[Text] Taipei, July 4 (CNA)—Tariff cuts have helped increase the Republic of China's imports and decrease its foreign trade surplus since early 1988, the Finance Ministry said last Saturday.

The government revised customs tariffs regulations Feb. 6 to cut tariffs for more than 3,500 import items by an average of 50 percent. The revision for the largest number of import items and the most extensive tariff cuts for many years have borne good results, the ministry said.

The ROC's tariffs were lowered to 5.16 percent in average in March, to 5.59 percent in April and 5.15 percent in May. For fiscal 1987, the tariffs were averaged at 7.47 percent.

Imports increased in the March-May period from the same period of 1987, with the value reaching NT [new Taiwan] dlr 134.2 billion (US dlr 4.63 billion) in March, up 48.3 percent; NT dlr 111.8 billion (US dlr 3.85 billion) in April, up 15.9 percent; and NT dlr 127.2 billion (US dlr 4.4 billion) in May, up NT dlr 42.4 percent.

Imported Farm Goods To Receive Surcharge
OW0207050088 Taipei CNA in English 1531 GMT
1 Jul 88

[Text] Taipei, July 1 (CNA)—The Republic of China will levy flexible surcharges on foreign agricultural imports in order to protect domestic farmers, Council of Agriculture [COA] Chairman Wang You-tsao said Friday.

Wang also said that his council would not agree to United States demands to lower the nation's import tariffs on agricultural products this year.

Levying surcharges on foreign products is a measure widely used in the U.S., Japan, and European countries, Wang said. The nation will follow their example in the hope of propping up the domestic agricultural prices.

Domestic agricultural prices have dropped to unreasonable levels partly because of a substantial increase in the import of foreign farm products in recent years, he said.

The COA chief said the nation's tariff rates for agricultural imports at present averages 24 percent.

Minister Alerts Fishermen to Infiltration
OW0207060288 Taipei CNA in English 0343 GMT
2 Jul 88

[Text] Taipei, July 2 (CNA)—Interior Minister Wu Po-hsiung called Friday for fishermen in Taiwan to remain vigilant and help security forces prevent the Chinese Communists from trafficking and infiltrating into the Republic of China from the sea.

Speaking at a rally marking Fishermen's Day, Wu told the fishermen's representatives that the Government has emphasized efforts to promote their welfare by amending the Fishery Law to enable coastal fishermen, like deep-sea fishermen, to take out insurance policies at the places their boats are registered.

All fishermen in the Taiwan area presently enjoy the medical insurance required by Labor Insurance Regulations, he said.

Since the lifting of the Emergency Decree last year, the Government has also improved inspection procedures on the movement of fishing boats that is now under local police administration instead of the Garrison Command as previously, Wu said.

On the same occasion, Taiwan Governor Chiu Chuang-huan also disclosed that the Taiwan Provincial Government plans to appropriate NT \$400 million (U.S. \$13.84 million) in the next 3 years to improve the facilities of the Patoutze Fishing Port, near Keelung. This newly-inaugurated fishing port was built over the past 12 years at a total cost of NT \$ 2.2 billion (U.S. \$76.12 million).

Chiu noted that the fishermen will also benefit from the lowering of gasoline prices by 16.2 percent; fuel expenditures, he said, will drop NT \$700 million (U.S. \$24.22 million) this year.

At the rally, representatives of fishermen organizations from throughout the country sent a message to the upcoming 13th National Congress of the ruling Kuomintang expressing their faithful support of the candidacy of President Li Teng-hui as the KMT's chairman.

Hong Kong

UK's Lord Glenarthur Issues Statements

On Joint Liaison Group

OW0107193788 Beijing XINHUA in English
1553 GMT 1 Jul 88

[Text] Hong Kong, July 1 (XINHUA)—The visiting British official Lord Glenarthur praised the work of the Sino-British Joint Liaison Group (JLG) here today, saying the JLG "has achieved much in the three years of its existence."

Lord Glenarthur, the British Foreign and Commonwealth office minister with responsibility for Hong Kong, gave a press conference here this afternoon before ending his four-day visit in Hong Kong.

His visit coincided with the opening of the British and Chinese Joint Liaison group offices in Hong Kong today.

The JLG's location in Hong Kong "makes no difference to its role, but would make cooperation still closer and more efficient," he noted, adding that he wished the two teams continued success.

He said that during his trip to Beijing, he was impressed by the determination of the Chinese officials to implement the Joint Declaration and their readiness to consult Hong Kong people on the Draft Basic Law and to amend it in the light of their views.

On the Vietnamese boat people issue which was a central topic in his discussions with local officials, Lord Glenarthur said, "the key to a lasting solution to the Vietnamese boat people relies [as received] first and foremost with Vietnam."

Lord Glenarthur is the third British minister to visit Hong Kong in a month. The previous two were made by Foreign Secretary Geoffrey Howe and Secretary of State for Trade and Industry, Lord Young.

On Refugee Situation

HK0207012388 Hong Kong SOUTH CHINA
MORNING POST in English 2 Jul 88 pp 1, 2

[By Political Editor Ann Quon]

[Text] Britain appears to be softening its stance on two fronts on the refugee issue following Hong Kong's change in policy towards screening boat people from Vietnam.

The British Minister with special responsibility for Hong Kong, Lord Glenarthur, indicated yesterday that Whitehall:

May approve an increased quota of refugees from the territory;

Would put pressure on the United Nations High Commissioner for Refugees (UNHCR) to contribute more to the upkeep of boat people still being held in Hong Kong.

Lord Glenarthur said that accepting more refugees for resettlement was one of several options he would take back to Britain as a result of his three-day visit to Hong Kong.

"After the recent influx into Hong Kong we are looking again at all aspects of the problem. More resettlement in the United Kingdom is obviously among these options," he said.

This follows intense pressure from Legislative Councillors for Britain to accept more refugees.

Unless Britain takes the lead in raising its monthly quota of 20 refugees, other third asylum countries have indicated they will not follow suit.

This year Britain has resettled 123 refugees—well behind Canada which has resettled 641, the United States 310 and Australia 227.

Since Hong Kong changed its refugee policy last month those who cannot prove they are political refugees will be treated as illegal immigrants and kept in detention centres pending repatriation to Vietnam.

A total of 1,430 boat people have arrived since the change, bringing the boat people population to 16,136.

Refugees have been a major theme of Lord Glenarthur's visit and Legislative Councillors have made it clear they are dissatisfied with Britain's handling of the problem.

One message they want him to deliver to Britain is that it should put more pressure on the UNHCR to spend more towards the upkeep of the boat people.

Last year, Hong Kong paid \$122.7 million towards the cost of caring for the refugees in open and closed camps while the UNHCR paid \$29.6 million and other voluntary agencies \$7.8 million.

Since the screening policy was introduced last month, the UNHCR has made no financial contribution to the detention centres where all economic migrants will be kept until they are repatriated to Vietnam.

Lord Glenarthur confirmed the British Government and the UNHCR had met this week but he did not disclose details.

However, he agreed the UNHCR should shoulder some of the extra burden.

Lord Glenarthur sidestepped the issue of whether Britain would contribute to the cost of running the detention centres.

During his 30-minute news conference the peer touched on several issues including the Draft Basic Law, the work of the Sino-British Joint Liaison Group and Hong Kong's chances of hosting a world Expo in 1997.

Lord Glenarthur appeared to be nervous as he read from a short prepared statement and misread local place names saying Taypo instead of Taipo and Twin Moon for Tuen Mun new town.

He dismissed suggestions that Hong Kong passport holders were being discriminated against by immigration officials at British ports of entry although he promised that that local complaints of mistreatment were being investigated and that he would raise the matter with the Home Office.

"There is one thing I want to make crystal clear now: There is no policy of discrimination against Hong Kong passport holders. Anyone who thinks there is, is wrong," he said.

Lord Glenarthur reiterated the Hong Kong Government position that the Defence Costs Agreement, signed by the Financial Secretary, Mr Piers Jacobs, in London recently, was the best deal possible and described it as fair.

Under a new nine-year pact, which has been criticised as unfair by some Legislative Councillors, Hong Kong will pay 65 percent of costs while Britain will contribute the rest.

He also dismissed rumours that Britain would withdraw its 9,000 strong garrison. "It's unrealistic to suppose that the United Kingdom would withdraw from Hong Kong."

Lord Glenarthur, who was in Hong Kong as part of a visit that included Thailand and China, said Hong Kong was a central topic for discussion with senior Chinese officials, including Foreign Minister Qian Qichen and Vice-Foreign Minister Zhou Nan.

"I was impressed by their determination to implement the Joint Declaration and their readiness to consult Hong Kong people on the Draft Basic Law and to amend it in the light of their views."

The problem of giving Vietnamese boat people help along the coast during their trip to Hong Kong was also raised with Chinese officials.

Housing Future Illegal Immigrants at Sea Possible
HK0507080788 Hong Kong HONGKONG STANDARD
in English 5 Jul 88 p 2

[By Fiona McMahon]

[Text] Further Vietnamese illegal immigrants might have to be temporarily housed on ferries if the arrival rate continued to be as high as it was over the weekend. Refugees Co-ordinator Nigel French said yesterday.

More than 1,000 Vietnamese illegals have arrived since Friday, including 98 intercepted yesterday. They bring the total to about 2,400 since the Government's screening policy was announced three weeks ago.

Mr French was emphatic the Government could cope with the situation but conceded the recent influx had put a strain on existing facilities. He said plans were already in hand to open another detention centre at the end of this month at Chi Ma Wan, after the refugees now housed there are transferred to an industrial building in Tuen Mun.

Chi Ma Wan is expected to hold 3,000 illegals. The Hei Ling Chau detention centre is being expanded to hold 3,000 and Green Island Reception Centre can hold 1,000.

"We'll manage till then and if it is necessary we will have to use ferries," Mr French said, adding if the rate of arrivals required putting people on ferries for a month "that is what we will do".

"We have to make prudent contingency plans for any set of circumstances."

He assured that no one would be left on a ferry if a typhoon was in the vicinity. They would be held at Green Island or Hei Ling Chau with additional bunks put in if necessary.

Mr French said the surge over the weekend was probably the result of Vietnamese illegal immigrants having sought refuge along the Chinese coast when Typhoon Vanessa was in the region last week. He also said it was too early to question the effectiveness of the new screening policy.

"Screening is the only way of ensuring that in the longer term we have a manageable number of refugees that can be resettled...but it takes time for that message to get back," he said. The actual screening process started last Wednesday and though some new arrivals have been interviewed, no final decisions have been made.

Mr French said it took time to interview all members from a boat or family group before a decision could be made.

Some recent arrivals had heard of the new policy on their radios or when they stopped along the Chinese coast, but none had known of it when they set out, he said. All those that have arrived since the policy change had said they would communicate to their friends and relatives in Vietnam about the recent change in policy and urge them not to come, he said.

But he cautioned it would take time for the message to reach small farming communities far from urban areas.

Mr French was speaking after showing American Congressman Mr Gary Ackerman around the Sham Shui Po closed camp that houses more than 5,000 refugees.

Mr Ackerman, who is a member of the influential U.S. Foreign Affairs Committee, said after his tour of the camp that he would press the U.S. administration to take more refugees.

Since 1975 the U.S. has taken 63,808 refugees from Hong Kong but last year the number of resettlement places dropped to 333.

Hong Kong has had assurances that 1,000 will be taken this year, but with the doubling of the refugee population since last year only a further increase would help alleviate the pressure the territory now faces.

Mr Ackerman said he would push for the entire international community to take more refugees and scoffed at the suggestion Britain should take the lead.

"Britain has to take more, whether she is first, last or in the middle doesn't matter," Mr Ackerman said, adding every nation should live up to its humanitarian and moral responsibilities. He said he would report to his Congressional colleagues on the situation in Hong Kong when he returned.

Mr Ackerman is in the territory for three days and will be speaking to local businessmen today.

PRC Denies Encouraging Vietnamese Refugees
HK0507080988 Hong Kong SOUTH CHINA MORNING POST in English 5 Jul 88 p 2

[By Chris Yeung, Nigel Rosser, and John Tang]

[Excerpt] It was not China's intention to encourage Vietnamese boat people to come to Hong Kong after giving them food and assistance along the mainland's South China coast, a senior Chinese official said yesterday.

Chinese team leader of the Sino-British Joint Liaison Group [JLG], Mr Ke Zaishuo, yesterday denied China was trying to shed its responsibilities by giving the boat people enough assistance and provisions to get to Hong Kong. China was only helping them on humanitarian grounds, he said. Mr Ke was speaking during a media tour of the Chinese team's permanent office in Wan Chai's China Resources Building.

Mr Ke said the JLG had yet to discuss the refugee problem, but it could be examined if Britain raised the matter. He said he was confident the problem of repatriating the boat people to Vietnam could be solved well before 1997. The long-term solution is for Hanoi to stop its citizens from fleeing the country, he said.

Concern has been raised recently that China has encouraged Vietnamese boat people to come to Hong Kong by providing them with food and fuel along the South China coast.

Mr Ke said: "I guess such feeding, if any, has been given on humanitarian grounds. You would probably give water to someone who was thirsty and had no water to drink."

Another Chinese official said China was keeping a close watch on the new screening policy to see if it could help stop the flow. "We have not studied the fate of the Vietnamese stranded here after 1997. Neither have the experts examined the international obligations on the issue before and after 1997."

Yesterday, 98 Vietnamese boat people arrived in Hong Kong, bring the total landing in the territory to 2,400 since the introduction of the screening policy on June 16.

The total number of arrivals last month was 4,045—an increase of about 1,000 compared to the 2,973 arrivals in May. Nearly 10,000 boat people have arrived this year. At present there are 18,591 either waiting resettlement or to be repatriated (those economic refugees who came after June 16). [passage omitted]

Beijing Tightens Grip Over Enterprises
HK0307031888 Hong Kong SUNDAY STANDARD in English 3 Jul 88 p 1

["Exclusive" by David Wong, China editor]

[Text] A major reshuffle has quietly taken place at the local branch of the XINHUA NEWS AGENCY in a move by Beijing to tighten its grip on the ever-expanding Chinese enterprises in Hong Kong.

THE STANDARD has learnt from reliable sources that Beijing has sent a top foreign investment official from the Ministry of Foreign Economic Relations and Trade to head the agency's Economic Affairs Department.

The new appointment is understood to have been prompted by Chinese leaders' unease over growing allegations of misconduct among the 4,000 people stationed here in mainland enterprises and the adverse effect it could have on the local economy.

THE STANDARD understands one of the principal tasks for trouble-shooter Mr Chen Zhesheng is to identify the loopholes being exploited by corrupt officials and to recommend solutions to stop the situation worsening.

Mr Chen is a director in the Foreign Economic Relations Ministry's Foreign Investment Department.

The Economic Affairs Department has also been reinforced by the creation of another deputy director post. It will strengthen the monitoring of China-owned companies here. This post has also gone to a foreign investment expert from the same ministry.

Sources said Mr Chen and his deputy arrived in the territory about a month ago, shortly after the visit by Vice-Premier Tian Jiyun.

During his six-day stay here, Mr Tian had special sessions with the heads of Chinese enterprises. But it is not known whether his visit accelerated the XINHUA moves.

THE STANDARD published a three-part series on the activities of Chinese businessmen working here, at the end of May to coincide with Mr Tian's visit. It reported the Chinese Government was considering setting up a watchdog body at XINHUA to combat problems arising from the massive influx of mainland investment in recent years.

Chinese sources said Beijing leaders were well aware of the rapid increase in the number of Chinese companies in Hong Kong and the misbehaviour of some officials stationed here.

While they dismissed the situation had got out of control, they did not rule out the possibility of misconduct or corrupt activities among some of the Chinese officials here.

China's top representative in Hong Kong, Mr Xu Jiatur, told a reception on Friday the Economic Affairs Department and other units had already conducted investigations into the mainland-owned companies. But he declined to detail the exact arrangements.

It is also understood the former head of the Economic Affairs Department, Miss Tan Fuyun, has been assigned to supervise a newly created economic office directly under Mr Xu.

But sources told THE STANDARD Ms Tan's office would mainly serve to co-ordinate and persuade local businessmen to invest in the coastal regions of the mainland.

"Our intention of setting up this new office is not to serve as a watchdog to crack down on cadre misconduct related to Chinese investment here," a Chinese source said.

"Instead, the new office will play a more positive role in generating interest among local and overseas businessmen to invest in the coastal regions of China, which are the priority areas for accelerating our economic reforms."

Chinese officials said misconduct among cadres was not a problem unique to Hong Kong, but was prevalent throughout the country. It stemmed from the implementation of the economic reforms.

In an editorial to mark the 67th anniversary of the founding of the Chinese Communist Party, the PEOPLE'S DAILY said: "At this critical stage in the country's economic reform, whether the party can unite the masses behind the price and wage reforms lies not only in the correctness of party line, principles and policies, but also in members setting a good example.

"In China's efforts to continue the open policy and encourage economic development, party members holding official positions in party and government departments must be honest in performing their duties."

Sino-British Liaison Group Sets Up Base
OW0107122688 Beijing XINHUA in English
0831 GMT 1 Jul 88

[Text] Hong Kong, July 1 (XINHUA)—The Sino-British Joint Liaison Group (JLG) set up its principal base here today.

This meant that the offices of JLG senior representatives of both sides started to work in Hong Kong.

Senior representatives of both sides held today an informal meeting, at which they reviewed the work and progresses since the last JLG meeting and discussed working methods for the future.

Hong Kong Governor David Wilson hosted a luncheon for representatives of both sides of the joint liaison group after the meeting.

Macao

Assistant Secretary to Governor Appointed
LD0107025688 Lisbon Domestic Service
in Portugues 2300 GMT 30 Jun

[Text] Manuel Jorge Fonseca de Magalhaes e Silva has been appointed assistant secretary to the governor of Macao. The decree has already been signed by the president of the republic and the swearing-in by the governor of Macao, Carlos Melancia, will take place in due course.

Macao 'Issue' Settlement Hailed Success
HK0207033288 Beijing CHINA DAILY
in English 2 Jul 88 p 1

[By staff reporter Guo Zhongshi]

[Text] Chinese and Portuguese leaders yesterday reaffirmed the successful settlement of the issue of Macao, a tiny enclave that Portugal has ruled for the past 450 years.

Director Ji Pengfei of the Hong Kong and Macao Affairs Office under the State Council met the visiting Portuguese Foreign Minister Joao de Deus Pinheiro and said that Macao has enjoyed social stability and economic development since the signing of the Sino-Portuguese Joint Declaration on the Question of Macao in April last year.

Ji said that both countries want to see stability and prosperity in Macao. And for this purpose, he said, the two countries should have more exchanges of visits and views and conduct more consultations. "The joint declaration will be smoothly carried out," he said.

The accord, under which China will resume sovereignty over Macao from December 20, 1999, 30 months after the country recovers Hong Kong, allows Macao to preserve its capitalist system for half a century in its 16-square-kilometre territory under China's "one country, two systems" policy.

Pinheiro, who arrived in China on Thursday for a week-long visit, is the first Portuguese foreign minister to visit the country. He told Ji Pengfei that the Portuguese government will do its best to ensure social stability and economic prosperity during the transitional period and will set an example for other countries in the world.

"The Portuguese government is willing to make joint efforts with China in pushing forward the development of Macao," Pinheiro said.

In his speech at the welcoming banquet in honour of Pinheiro yesterday, Chinese Foreign Minister Qian Qichen said the settlement of the Macao question has provided a successful example for settling disputes between countries through peaceful negotiations.

Qian said that the exchange of visits between officials of Macao and China earlier this year was conducive to the smooth implementation of the Sino-Portuguese declaration as well as to the stability and prosperity of Macao.

Pinheiro told his Chinese counterpart that Portugal and China have shown the world their ability to peacefully settle issues that are undoubtedly complicated.

The two leaders also hailed the satisfactory development of Sino-Portuguese bilateral ties since the two countries established diplomatic relations in 1979.

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